

Stop blasting e-mails at customers, and create something relevant. Or else. page 28

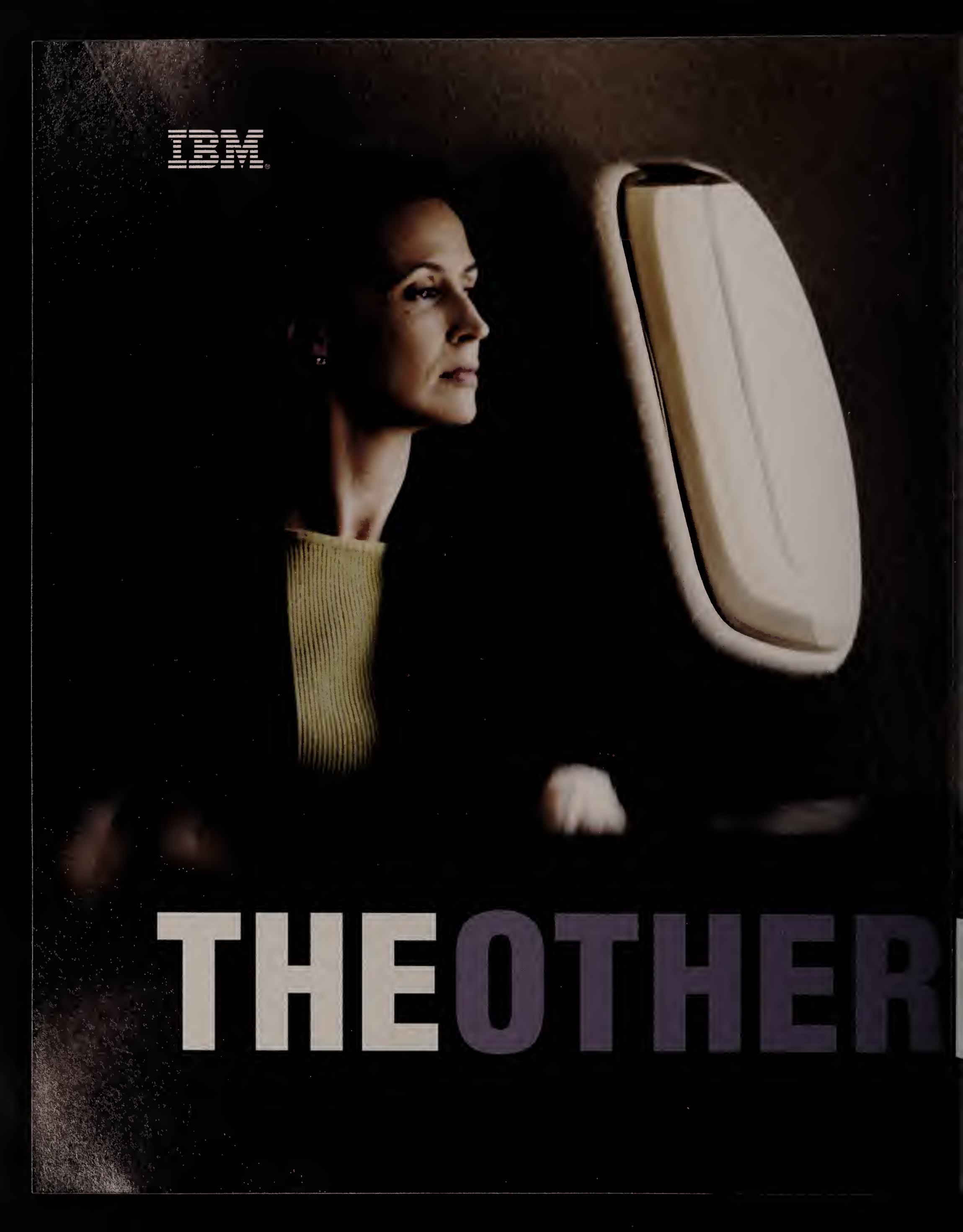
# cmo

The Resource  
For Marketing  
Executives

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Think  
Buick meets  
*Desperate Housewives*.  
Branded entertainment  
is a player. page 20

A woman with dark hair, wearing a light-colored, ribbed, long-sleeved top, is shown in profile, looking towards the right. She is positioned in a dark, almost black environment. To her right, a large, glowing, curved object, possibly a piece of technology or a futuristic vehicle, is visible. The object has a bright, yellowish-white light emanating from its surface, creating a strong contrast with the dark background. The overall mood is mysterious and futuristic.

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**HOW DO WE KEEP OUR BRAND  
BRAND NEW?**

**HOW DO WE FIND THE HOLY GRAIL:  
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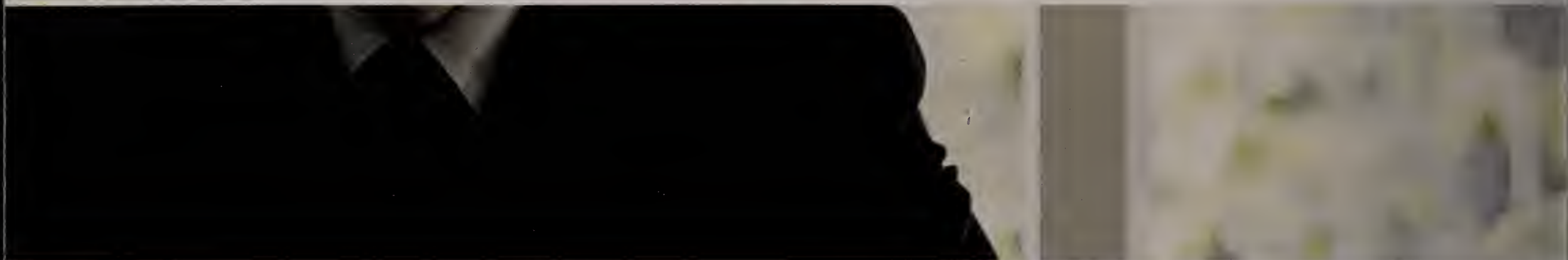
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## The Resource for Marketing Executives



"To discourage customers from clicking the 'spam' button, your message has to be relevant."

—John DeCaprio, Fossil's VP of e-commerce

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**GLEN URBAN**, chairman of MIT's Center for eBusiness, on why marketers must find new ways to work with better-informed consumers.

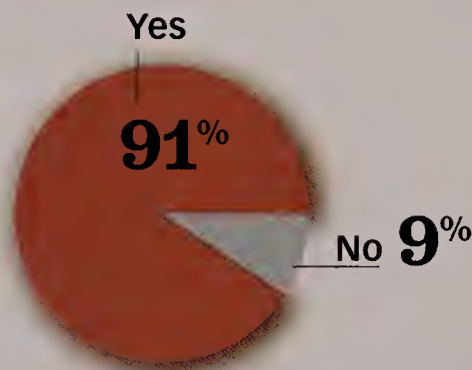


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## NUMBERS THAT COUNT

### To Tell the Truth

A recent CMO Poll asks: Should data holding companies be required to inform everyone whose data has been breached?



Based on 100 responses to a weeklong open poll at [www.cmomagazine.com/poll](http://www.cmomagazine.com/poll).

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**IF YOU HAVE** a disparate relationship between sales and marketing [“Culture Crash,” July], try the following gambit. Give the sales team carte blanche to build an outline for a marketing ROI model without any marketing input, then tell the marketing team to build a sales ROI model without any sales input.

Years of abuse, real or imagined, will pour out into these two documents. Next, get the two groups together with the mandate to lock the doors and not come out until they’ve signed off on the other’s model. Reading through each other’s documents, the two sides will find many things: huge amounts of misinformation, some great ideas, totally different definitions for the same words and, finally, the basis for agreements. It is the best way to get both sides on one page.

MARK WALKER  
Head Coach  
Marketing Whisperers Ltd.

### A Question of Influence

**TREMOR USES** a behaviorist approach to identifying “connectors”: You can spot them based on how they behave [“Making Waves,” July]. While this can work when trying to spot connectors from a limited subgroup such as teens, it fails when you try to use it to span age groups or other demographic segments.

A second approach is to argue that there are basic traits of personality that lead people to be the go-to person in their group of friends—and that you can spot connectors by these

## Bridging the Gap

Readers were quick to speak out about July’s article on the clash between sales and marketing; some offered practical advice on bringing the two sides together

personality traits. Another is BzzAgent’s claim that anyone can create word of mouth.

All fail to take into account that, to be effective, the connector must be engaged with the category. For example, if a friend, who you knew had no idea about cars, suddenly started to recommend GM’s latest and greatest, wouldn’t something smell fishy? That’s why the “influencer for hire” approach used by BzzAgent and Tremor has some drawbacks.

An alternative approach is for a brand to build its own cohort of influencers who are truly engaged advocates of the brand. This creates word-of-mouth media that is exclusive to them. Because word of mouth is organic, it has a stronger ring of credibility to it, and so will deliver better results.

IAN MCKEE  
CEO  
Vocanic

### Clones Need Not Apply

**THE FACT THAT** Microsoft is measuring training efficacy shows that we are not hiring clones [“The Ultimate Bug Fix,” June]. However, we do work to help people “round out” their skill sets so that they have more options and can bring a diversity of thought into future roles along the way. It’s about marketing as a discipline. Few companies make the effort to do this thoughtfully and proactively.

Would it be shameless to say that any strong marketers interested in exploring roles at Microsoft can contact me directly? Well, I said it anyway.

HEATHER HAMILTON  
Staffing Programs Manager  
Microsoft

## CMO Honored by ASBPE

CMO was named **Magazine of the Year** (under-80,000 circulation) by the American Society of Business Publication Editors (ASBPE) in June. Judging for this award is based on five criteria: quality of the reporting, writing and editing; value and usefulness to the reader; editorial organization; interaction with readers; and layout and design.

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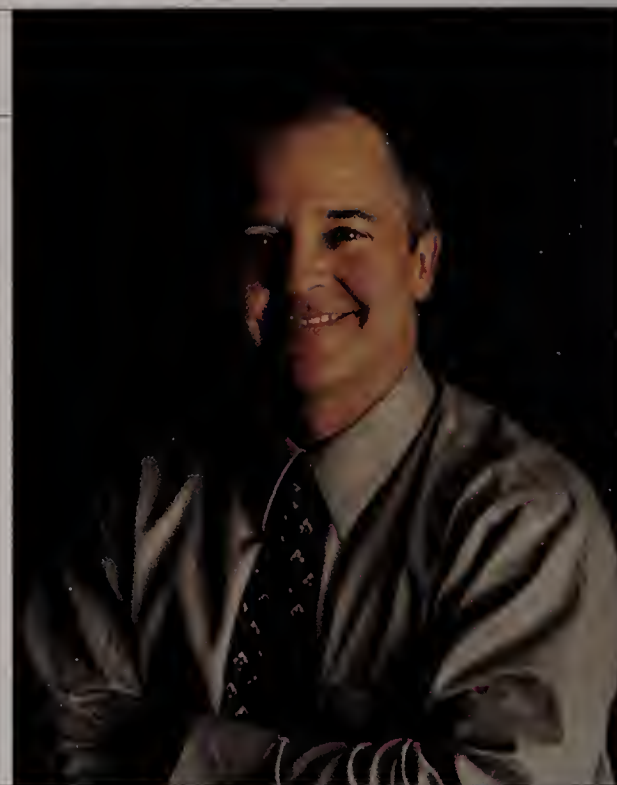


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## Ink-Stained Wretch

**S**IDNEY DUNKIRK AND I ARE THE BEST OF FRIENDS. At least we must be—why else would he send me an e-mail every day for the past several months? With an efficiency and dedication like that of the U.S. Postal Service, Sidney's e-mails are delivered reliably, without interruption, to my junk mail folder.

Sidney apparently works for a company that wants to sell me high-quality ink, check-printing services and related products for my small business. Despite his consistent communications, Sidney doesn't seem to know much about me. He doesn't know, for example, that I don't own a small business or even a laser printer, and I don't print checks (though I do seem to write a lot of them). He doesn't even know my name; every message begins with a cheery yet impersonal "Good afternoon!"

Curious, I tried to contact Sidney, who describes himself as a customer relationship executive. (Oh, the irony!) I replied to his e-mail, but received no response. I tried calling the toll-free number listed with his signature, but couldn't get past the interactive voice recognition system. During the course of reporting this month's feature story on e-mail marketing ("Can't Spam," Page 28), contributor Beth Stackpole spoke with a receptionist at the company, who said no one named Sidney Dunkirk works there.

Too bad. I had a few questions for Sidney. For starters, how did he get my e-mail address? Why does he consider me a prospect? How many other close friends does he spam every day?

It's these types of one-bad-apple interactions that have put me in my current state: ignoring most of the solicitous e-mails cluttering my mailbox. As Stackpole notes in her story, the batch-and-blast strategy is a losing proposition. Savvy marketers have already figured this out and are developing more targeted messaging. The problem they face now, however, is that consumers have been bludgeoned to the point that they tune out all e-mail solicitations, even the ones they have opted to receive. Need proof? Look no further than the Forrester survey cited in Stackpole's story; in it, more than three-quarters of consumers say they delete promotional e-mails without reading a word.

For me, reading Sidney's e-mail wasn't as problematic as tracking him down.

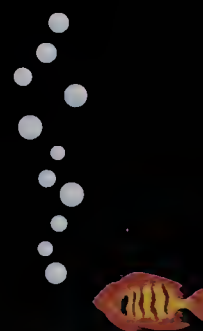
Frustrated by his elusiveness, I clicked the link in his most recent spam to change my communication preferences. I was going to sign up for even more breathtaking offers from the company and its partners, hoping that it would bring me closer to Sidney. Alas, no preference options were forthcoming. Instead, I received a note stating that my address had been successfully removed from the newsletter list. At least the company understands that part of the drill.

ROB O'REGAN, EDITOR IN CHIEF  
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# The Titanic had an unsinkable marketing strategy....

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# buzz

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EDITED BY ELAINE M. CUMMINGS

## NICHE MARKETING

### Apple and Eve

The question of what a woman wants has been mystifying a lot of people for a long time now. Apparently, marketers now have an answer: She wants her own special snacks and drinks, specially prepared to meet her nutritional needs. ("No, Adam, you can't have a bite of my apple; it's been fortified with calcium and folic acid.")

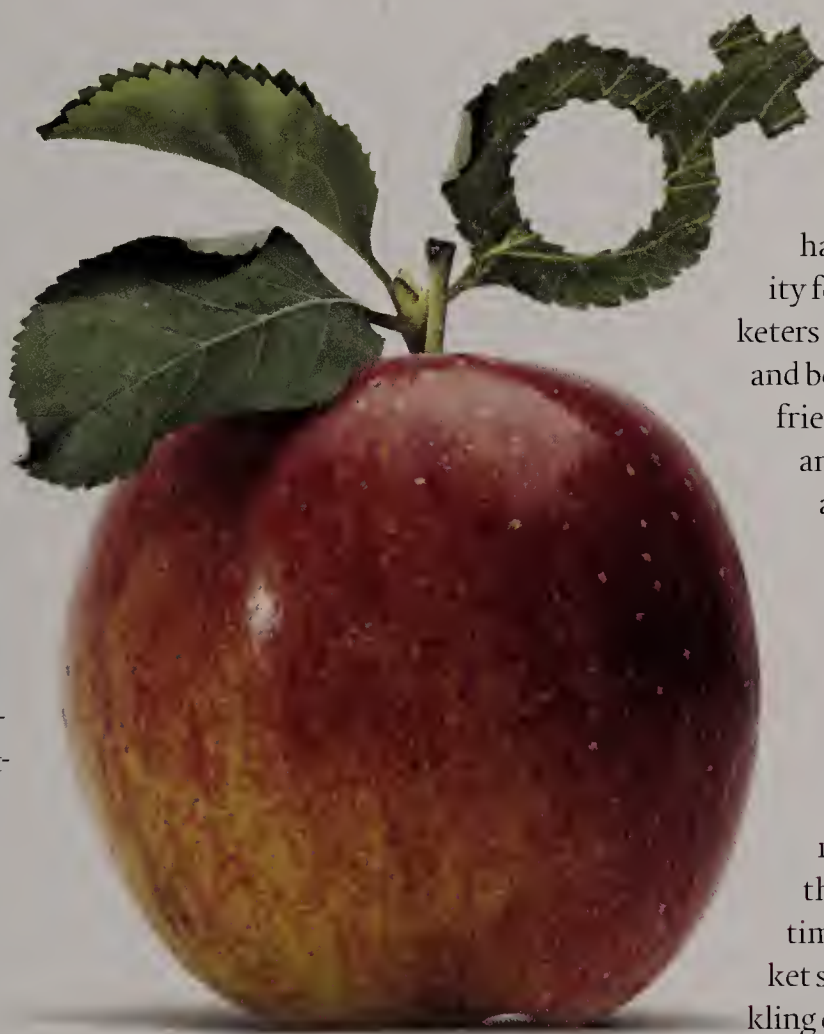
A recent report by market research publisher Packaged Facts, a division of MarketResearch.com, found that the market for women's food and beverages reached \$4.6 billion in 2004, representing an 11 percent increase over 2003 and a compound annual growth rate of 80 percent between 2000 and 2004. The category includes foods such as nutrition bars, cereal, dairy products, salad dressing and canned soups. (Cereal is by far the strongest category, representing 47 percent of the sales.)

Why such exponential growth? According to Don Montouri, acquisitions editor at Packaged Facts, a MarketResearch.com division, part of the reason is that niche foods by age or population group are becoming more popular across the board. In addition, women live longer than men and are more likely to focus on health and wellness when they shop. And the ever-increasing number of women in the workforce means that more of them are in the market for healthy, on-the-go snacks. "Five years ago, the category [of women's food and beverages] barely existed," says Montouri. "This tremendous growth has happened because marketers are starting to realize they can produce and advertise more specifically for women,

and more and more research indicates that women's nutritional needs can be met through specially formulated foods."

Because 77 percent of women have all grocery shopping responsibility for their households, smart marketers are playing up the benefits of food and beverages that contain female-friendly ingredients such as folic acid and omega-3 fatty acids, or creating altogether new products targeted to women. A Florida mother of four, for instance, recently introduced Mommy Munchies, a line of snacks created with pregnant and nursing women in mind. "It's a sound business decision to target women," says Montouri, who expects that more of these products will make their way to mainstream retailers as time goes on. Is that the sound of a market shift? It's hard to hear over the crinkling of all those Luna bar packages.

—Meg Mitchell Moore



**The market for women's food and beverages will reach \$7.7 billion by 2009, giving even established brands a chance to reinvigorate and reinvent themselves.**

SOURCE: PACKAGED FACTS, A DIVISION OF MARKETRESEARCH.COM

**CMOism:** Look around to see who's having fun. The enthusiastic workers? Or the negative, half-hearted ones? You have the freedom to become either. One gets ahead. The other gets fired.

## CELEBRITY ENDORSEMENTS

# The Tiger in Accenture's Tank

**ON THE FIRST DAY OF THE ACCENTURE GLOBAL CONVERGENCE FORUM IN** Orlando this spring, much of the chitchat wasn't about global convergence at all. In fact, the buzz concerned a certain professional golfer who had won The Master's golf tournament in amazing fashion just 12 hours earlier.

In year two of a three-year deal with Accenture, Tiger Woods is the centerpiece of the company's High Performance Delivered marketing campaign, which is aimed in part at its biggest competitor, IBM. Accenture has even woven his name into the campaign with its slogan: "Go on. Be a Tiger."

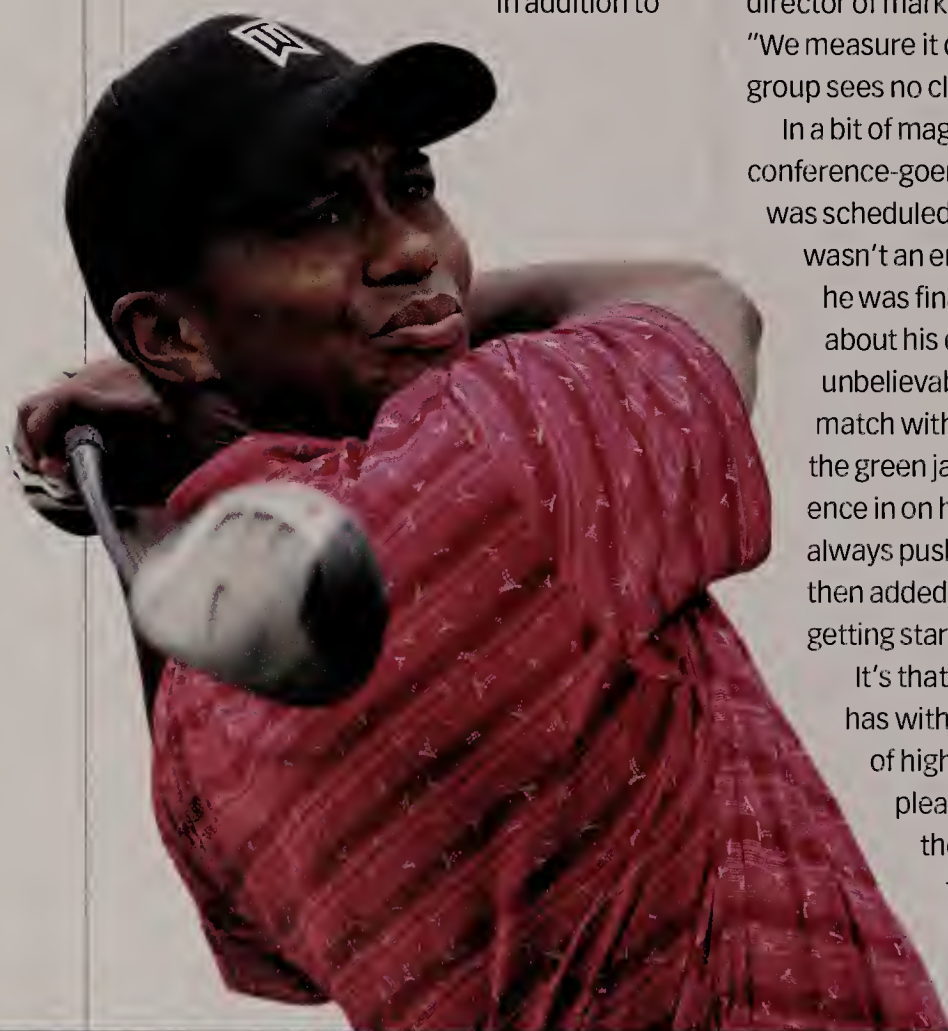
In addition to

Accenture, Woods has multimillion-dollar endorsement deals with Nike, Buick, American Express, Tag Heuer and EA Sports. And he makes no bones about wearing his Nike apparel in other advertisements, including Accenture's. "But it doesn't get in the way," says Jim Murphy, Accenture's global managing director of marketing and communications. "We measure it quite carefully, and our buyer group sees no clutter at all."

In a bit of magical timing for Accenture's conference-goers, Woods, fresh off his victory, was scheduled to go on at 11 a.m., and there wasn't an empty seat in the house when he was finally introduced. He talked about his championship round—his unbelievable chip on 16, the playoff match with Chris DiMarco, the putt to win the green jacket—then he let the audience in on his secret for success: "I'm always pushing to get better," he said, and then added with a twinkle, "and I'm just getting started."

It's that kind of rapport that Woods has with Accenture's target audience of high-powered executives that pleases Murphy to no end. "Who's the greatest symbol of high performance?" he asks. "Tiger, of course. It's a natural fit."

—Thomas Wailgum



## CUSTOMER PROTECTION

# To Catch a Thief

**It happened to Bank of America.** Then T-Mobile. And then ChoicePoint. When computer security at each of these billion-dollar organizations was breached, customer data was exposed. A lot of customer data. According to *The Washington Post*, 50 million customer accounts have been exposed to the possibility of identity fraud since the beginning of this year.

Are you prepared to handle a security breach at your organization? How will you work with your security folks to handle it? It'll be much better to have that conversation now, while you still have control of your customers' data, than after it's in the wrong hands.

A recent online poll conducted by CSO magazine, a sister publication of CMO, shows that marketing and infosecurity executives rarely agree about how to handle such an incident. It's time to find common ground before a security disaster shakes your world.

—Kathleen S. Carr

**How often do your company's infosec experts and marketing people agree on how to handle data breaches?**

|               |            |
|---------------|------------|
| <b>ALWAYS</b> | <b>11%</b> |
| <b>OFTEN</b>  | <b>19%</b> |
| <b>RARELY</b> | <b>47%</b> |
| <b>NEVER</b>  | <b>22%</b> |

SOURCE: ONLINE POLL, CSOONLINE.COM, 114 RESPONDENTS

**250:** The estimated amount of glucose used by an adult human brain each day, expressed in M&M's.

SOURCE: HARPER'S INDEX



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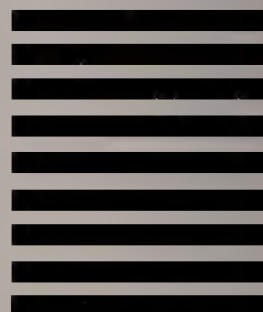
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**CMOism:** Better financial controls don't mean more controls. Consider eliminating some, or at least ignoring them. Develop a few forward-looking indicators in addition to your accounting reports.

## CAMPAIGNS



## Disgustingly Effective

**Metrics are the crystal ball** marketers use to predict advertising effectiveness. Many methods exist. One favorite asks consumers, "Which commercial would you most like to see again?" But what about a TV spot that is so disgusting most people wish they *hadn't* seen it? Consider the ad for Lamisil, a treatment for fungal nail infections, produced by Novartis Pharmaceuticals, starring Digger the Dermatophyte, a truly repulsive animated character that crawls under your toenail to set up housekeeping.

It is not surprising that Digger scores high on awareness. He is currently headlining a national bus tour called "Hit the Road, Digger" that features "Photoes" with Digger. "It's always easier to create entertaining antiheroes, especially in advertising," explains David Altschul, president and founder of Character, a Portland, Ore., company that develops characters for brands. "What's so brilliant about the Lamisil TV spot is the disgusting way in which Digger pulls up the toenail like a trapdoor and crawls inside. It's a perfect metaphor for how people actually feel about that kind of fungal infection."

—Elaine M. Cummings

DIGGER IMAGE COURTESY OF SLATE, MSN.COM

## ADVERTISING

# Hidden Impact

**How advertising drives the economy (or, why you deserve a raise)**

The next time you're comparing jobs with your brother the lawyer or your neighbor the dentist, and you get to talking about the value that each of your respective professions engenders, you might want to consider a recent study released by economic research company Global Insight.

The study projects that the roughly \$278 billion that will be spent on advertising in 2005 should directly generate \$2.3 *trillion* in sales this year. But that isn't even half the story, according to Michael Raimondi, the executive managing director of Global Insight's IT and telecom consulting practice, who conducted the study under the direction of economics Nobel laureate Lawrence R. Klein. "You also have to consider the service providers and the impact on downstream suppliers," Raimondi says.

For example, the revenue generated when someone buys a car benefits not only the manufacturer but also the companies that supply the various parts (tires, electronic components, uphol-

stery, headlights and so on). Added to that are the support services purchased by all those companies (accounting and legal services, data processing and payroll), not to mention the tertiary support services (including shipping and transportation services).

All that mercantile activity together gets you a whopping \$4.9 trillion in related sales. With overall sales in the U.S. economy projected to be \$26 trillion, that means advertising will be either directly or indirectly responsible for 20 percent of those sales. In addition to its effect on sales, the study indicates that advertising has influenced the creation of 21 million jobs.

Carried out under the auspices of the Association of National Advertisers' Advertising Tax Coalition (ATC), formed in part to combat the negative impressions about advertising, the study's results may seem biased. But Raimondi asserts that Global Insight had no impetus to make the results favorable to the ATC. "If our analysis appears clearly inflated, we'll lose credibility," he says. "We had people who weren't involved in the study look it over to see if it passes the giggle test."

—Christopher Caggiano

## Advertising Spending and Its Impact

**The \$278 billion in 2005 advertising spending should produce \$4.9 trillion in related sales and economic impact...**

### TOTAL SALES IN U.S. ECONOMY :: \$26 TRILLION

|                                                                          |   |        |
|--------------------------------------------------------------------------|---|--------|
| Direct impact of advertising spending on sales                           | ■ | \$2.3T |
| Impact of advertising spending on supplier economic activity             | ■ | \$1.2T |
| Impact of advertising spending on interindustry economic activity        | ■ | \$1.4T |
| Total impact of advertising spending as a percentage of total U.S. sales |   | 19%    |

### ...and generate 21 million jobs

#### TOTAL U.S. WORKFORCE :: 139 MILLION

|                                                                             |   |       |
|-----------------------------------------------------------------------------|---|-------|
| Jobs directly generated by advertising                                      | ■ | 10.3M |
| Jobs generated by suppliers of products and services                        | ■ | 4.7M  |
| Jobs generated by support industries                                        | ■ | 6.0M  |
| Total jobs generated by advertising as a percentage of total U.S. workforce |   | 15.1% |

SOURCE: GLOBAL INSIGHT

Buzz continues on next page

AUGUST CMO • VOLUME 1, NUMBER 1  
ADVERTISING SUPPLEMENT

# CMO SPOTLIGHT

## 10 Savvy Secrets to Successful Meetings and Events

- Programs That Fill Rooms
- Head-turning Speakers
- Sponsors with Deep Pockets
- Winning ROI

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# introduction

## Successful Summits for CMO's

Welcome to the *CMO Spotlight Series*



BY TOM FIELD

FROM LARGE-SCALE CONFERENCES and customer road shows to sales meetings and incentive junkets, corporations will spend \$168 billion on events in 2005, reports Blackfriars Communications Inc., in Maynard, Mass. That represents 16 percent of their total marketing budgets. No longer the red-headed

stepchild, events are also increasingly becoming an integrated part of the marketing mix, shopping the brand just as well as any advertising campaign.

Indeed, CMOs are taking note and putting more into their events budget—and expecting a great deal more in return. How can you get the most out of your events?

*CMO Magazine* is pleased to present “Ten Savvy Secrets to Successful Meetings and Events.” You’ll find ten tantalizing tips that you can put into action today for more successful events going forward. Learn more about developing content that fills rooms, securing speakers that turn heads, cashing in on sponsors with deep pockets and ensuring a winning ROI.

It’s a must read for CMOs on the fast-track.

—Tom Field, Director of Content Development  
CXO Media Custom Publishing

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The Inn at Spanish Bay  
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La Costa Resort & Spa  
Loews Coronado Bay Resort  
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InterContinental Mark Hopkins  
Pan Pacific San Francisco

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Conference Center  
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Convention Center  
VAIL Vail Cascade Resort & Spa

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CAPTIVA ISLAND South Seas Resort &  
Yacht Harbour  
CORAL GABLES The Biltmore Hotel  
KEY LARGO Ocean Reef Club  
MIAMI InterContinental Miami  
Loews Miami Beach Hotel  
NAPLES The Registry Resort & Club  
ORLANDO Portofino Bay Hotel  
Royal Pacific Resort  
PALM BEACH GARDENS PGA National Resort & Spa  
ST. PETE BEACH Don CeSar Beach Resort

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ISLAND OF MAUI Grand Wailea Resort  
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## IDAHO

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# 10 Savvy Secrets to Successful Meetings and Events

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**CMOs need to stage events that'll meet their business objectives—and, of course, dazzle their audiences. Here's how to do it.**

---

## 1 Choose the Right Venue

Office pressures getting to you? How about spending a few days relaxing in the foothills of the Santa Catalina Mountains outside Tucson, at the 100-acre Loews Ventana Canyon resort.

Sound enticing? John Touchette hopes so. As assistant vice president of meeting management at John Hancock Financial Services in Boston, he booked the Loews property for Hancock's field rep incentive conference. With incentive programs, he says, it's crucial to pick "destinations that will motivate our marketing representatives to sell more of our insurance products and qualify for our meetings."

For Touchette, finding the right venue is key to achieving corporate goals for any event. He's not alone: Marketing executives know that the choice of venue can boost a company's brand and its bottom line—or turn the event into a bust.

"You can put on a great show with great content. But then the staff's not up to snuff, the food's a little bit cold," says Brian Meyer, president of Meeting Expectations, an Atlanta-based events planning com-

pany. "Your attendees will say, 'It was a nice show, but I wouldn't come back again.' That reflects on the show, the organization, and ultimately, the CMO."

### **Keep Business Objectives, Audience, and Brand in Mind**

To be successful, the venue selection process should begin with a clear understanding of the event's business objectives and target audience. Home in on the audience's culture, mindset, wants and needs. "That's never as easy as it seems," says Hugh Lee, chairman of the board at Meeting Professionals International and president of Fusion Productions in Webster, N.Y. "When asked 'Who is this meeting for?' everyone has their opinions."

If busy executives are flying in from overseas, an airport hotel could be the best option, so attendees can get

in and out quickly. Other events might call for more exotic locales. Lee describes one company whose key objective was to show its distribution channels how they could work as a community to deliver value. Lee steered the company's CMO to a secluded, tribal-owned resort. "Think about native American tribes and the customs they have," Lee says. "It fit really well into the messaging behind the meeting."

Since a meeting planner will be doing the venue evaluation legwork, make sure he understands the event's key components—number of attendees, type of content, budget and special needs—so that he can provide a short list of properties that meet these requirements. Planners can use hotel websites to help them narrow down the options; Hyatt has an "E-mmediate Response™ Meetings" Web-based service that offers planners real-time group rate and date availability for any size meeting in response to online inquiries and RFPs. This is quickly followed by a phone call or e-mail from a sales manager.

If you are considering a new venue during the selection process, tell the venue convention staff what key company executives liked in the last few programs. That will help "stimulate the imagination, pull out the best recommendations of a particular property and help you choose the best venues," says David Gabri, president and CEO of Orlando, Fla.-based Associated Luxury Hotels, a national sales and marketing network for independent hotels. "Staff will then know how to top those experiences and will make recommendations accordingly, ultimately making site selection easier."

For some meetings, you may want to explore alternatives to the typical ballroom setup. The luxurious Coeur d'Alene Resort, set on the north shore of sparkling Lake Coeur d'Alene in Idaho, has a fleet of "floating boardrooms"—cruise boats—that offer

a private, scenic and memorable meeting venue. Push staff to come up with creative ideas for activities after the breakout sessions. Uncasville, Conn.-based Mohegan Sun helps clients plan special entertainment to fit their conference themes—say, a "shoot for the stars" party held under the world's largest planetarium dome.

Finally, do a site visit—before the deal is sealed. "Observe how well they take care of the little things," advises Mike Dimond, SVP of marketing at the Broadmoor Hotel in Colorado Springs, Col. The Broadmoor Hotel is so service-focused that employees are trained to address guests by name; and guests who ask for directions within the property are personally escorted to their desired destination. •

## Put Content First

"Most marketers claim that content has always been 'king,' but in the back-room that just hasn't been the case," says Robert Lowe, vice president of events architecture for Nth Degree, a face-to-face marketing company in Stone Mountain, Ga. But times have changed and content is taking center stage. "CMOs can't hide behind great parties, lots of marketing and a thinly veiled sales pitch anymore," says Lowe.

Attendees are highly educated and have their choice of resources literally "at their finger tips"—from the Internet to webinars. With tight budgets all around, many attendees are picking one trip a year and they can't

## Turn Heads With Provocative Speakers

"A celebrity headlining an event is a great way to attract an audience," says Michelle Lemmons Poscente, president of the International Speakers Bureau in Dallas, Tex. Celebrities, after all, have both the charisma and stage presence that can keep an audience enraptured. In addition, going to an event headlined by a celebrity has a certain cachet, especially if attendees can participate in a "meet-and-greet." Yet there is one serious drawback: money. According to the National Speakers Association, event planners can spend a hefty six figures on the speaking fee for a single, in-demand celebrity speaker.

If going with a celebrity doesn't fit the need (or budget), CMOs can still book great acts. Poscente says there are qualities that separate the good speakers from the bad. Effective speakers are those who possess in-depth knowledge of their session's specific industry or topic. But, Poscente says, head-turning speakers are also lively and engaging conversationalists. They don't simply stand on a podium with a PowerPoint presentation; they find ways to actively engage the audience. Audience participation can include live Q&A, classroom-like exercises or audience participation on stage. CMOs who have already honed such presentation skills would themselves be great speakers, Poscente adds.

In the end, says Poscente, good speakers will make the audience learn something, meet fellow attendees or be entertained. "Speakers are vying for people's time and attention, so there has to be a definitive takeaway for attendees," Poscente says. Ideally, that takeaway should be more than a handout of the presentation. Otherwise, attendees will have wished they headed for the pool instead. •



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sell networking as their primary purpose for travel, says Lowe. Attendees need a business case for events and must often validate their investment with detailed trip reports.

4

So content has quickly become the driver and the differentiator for successful events. According to *Portrait of North American Meetings*, a 2005 study of 900 meeting planners conducted by Orlando, Fla.-based YPB&R, the typical attendee's mindset can be characterized as "stressed, more demanding in their expectation of meetings and more focused on the business rather than the amenity aspects of meetings." The survey shows that 86 percent of corporate and 85 percent of association meeting planners consider agenda relevancy as most important. "By far, relevant content is the most important issue facing corporate and association meeting planners," reports Gary Sain, chief marketing officer and partner at YPB&R.

To this end, CMOs must approach any event with a single, unwavering focus on the audience. "When you create experiences that really matter, you're not just relating to the audience," says Michael Westcott, vice president of marketing at The George P. Johnson Group, an event marketing solutions provider in Auburn Hills, Mich. "You're

## THE SURVEY SHOWS THAT 86 PERCENT OF CORPORATE AND 85 PERCENT OF ASSOCIATION MEETING PLANNERS CONSIDER AGENDA RELEVANCY AS MOST IMPORTANT.

### - PORTRAIT OF NORTH AMERICAN MEETINGS

building a community and becoming part of something far more personal and profound." In the end, attendees walk away satisfied—and that's the definition of event success.

Not surprisingly, exciting trends in event content are turning the industry on end. CMOs should note the following:

- Planners are thinking more about the psychology behind how people learn and applying these principles to guide content development.
- Agencies are creating content-specific job functions. Some, like Nth Degree, have hired instructional designers, educational

## Capture Customer Mindshare

4 Not all events are created equal, and that's a good thing. Ruth P. Stevens, author of the book *Trade Show and Event Marketing: Plan, Promote and Profit*, (Texere, 2005), says CMOs can indeed create events that strengthen customer relationships, but they have to make sure the event format suits both the target audience and the message. But how do CMOs know which format is right for their organization?

When planning customer-focused events, Stevens says "there are so many issues to understand" that go beyond budget, size and location considerations. For example, sometimes it makes sense to target an audience comprised of customers and prospects; other times, customers may benefit the most from an event designed solely for them. Stevens' advice to CMOs: Start any event strategic planning process with a clear understanding of objectives; then, with the overarching goal in hand, pick the most appropriate format.

For example, to showcase new products, drive cross-sales, demo existing products, CMOs should plan a conference that includes customers, qualified prospects and decision-makers. To deliver rich product information, a road show targeting customers and prospects is a good bet. And to solidify relationships with customers and C-level managers, executive briefings work well. Another benefit of the briefing format, says Stevens: Executives have an opportunity to network with peers. •

and working the show floor to find out what's of greatest value.

- Audience participation is becoming intentionally more prevalent, including workshops and integrated Q&As.

The pre-marketing of "full" agendas is on a decline. Lowe says event planners would rather leave room for customization as they learn more about attendee needs during the registration process.

Segmentation is enabling planners to design content agendas for very targeted audiences. Lowe cites technology as the key enabler, allowing marketers to mine audience data and cater to specific needs.

Technology is also providing for more customized, self-paced learning right on the show floor, doing away with the traditional "one-pitch-fits-all" approach, says Westcott.

"Just think of an event as a five-day college semester," advises Lowe. It's all about the curriculum. Prospective students choose colleges based on what those schools have to offer and how well they can prepare them for

strategists and speaking coaches.

- Eventers are learning how to use PowerPoint effectively and the dreaded "death by PowerPoint" is more taboo than ever.
- Eventers are carefully tuning into audience's needs by using session evaluations

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life. Sure, a warm climate would be great. And, there will always be those that opt for the “party” school. But the serious students will think long and hard about how they can best invest in their future. For an Ivy League event, CMOs need to put content first. •

5

6

## Go Virtual

7

**5** Virtual conferencing seems like a promising way to stage an event without the hassle or expense of air travel. Yet the virtual world has not always delivered on that promise. Alan Perry, executive director of global conference planning at cosmetics giant Estée Lauder, recalls a satellite conference he arranged between employees in its Manhattan headquarters and employees in Budapest, Hungary. “A mountain got in the way, literally,” Perry says, interfering with transmission.

Today, meeting industry pundits say virtual events will never truly replace the in-person variety—especially when the event’s goal is sales force motivation or customer loyalty creation. But virtual conferencing does have a place in the CMO’s event portfolio, as an inexpensive, fast way to facilitate meeting planning or to get organizers together post-event, says Hugh Lee, chairman of the board at Meeting Professionals International and president of Fusion Productions in Webster, N.Y. Market forecasts seem to agree: Giga Research projects that Web-based conferencing market revenues will grow from \$625 million in 2003 to \$2.1 billion in 2008, as companies reap the economic benefits of using virtual meetings to replace routine corporate travel.

Webcasting of conference sessions—in real-time during the event, or archived for later access—is also becoming more popular as a way to extend the value of a meeting and reinforce its message after the fact, Lee says. “If you have a key event where only the high-

## Making Cents Out of Events

**7** Despite the ups and downs of the travel industry during the last couple of years, the market for corporate events is huge and spending is skyrocketing. So CMOs need to know what they’re getting for their money. Determining the ROI for any event is intimately tied into the event’s objectives and audience. And certainly, while attendance is a good metric for gauging an event’s success, it shouldn’t be the only one, unless the event itself is a moneymaking venture.

“To find the right metrics and determine return, CMOs need to first identify the desired takeaways, for both the attendees and the company,” says Caroline Santangelo, vice president of marketing strategy for Norwood, Mass.-based Cramer, an integrated marketing solutions agency. Once the takeaways are established, tracking whether they are achieved or not is something that can be done fairly easily with the help of CRM technology, Santangelo adds, because contact information is readily available through registration.

CMOs interested in driving sales should follow up a few months after an event to figure out how many attendees were converted into purchasers. Those looking to enhance customer loyalty can use attendance rates among existing customers as a telling metric. While less quantifiable than sales or attendance information, Santangelo says CMOs can determine whether an event led to increased awareness or even mindshare among attendees by measuring brand awareness and name recognition, for example.

As Santangelo sees it, the specific metrics aren’t as important as the act of tracking itself. “If you’re not tracking anything regarding events,” she says, “you’re wasting your time.” •

est level customers or executives are coming, they need to take information about your new products, strategy or vision back to the office,” Lee says. “Webcasting is a wonderful way [to do that].” •

## Plan To Perfection

**6** Effective events are like any other good marketing program. It’s all about understanding business goals and audience needs, says Caroline Santangelo, vice president of marketing strategy at Norwood, Mass.-based Cramer, an integrated marketing solutions agency.

Events make up a significant portion of the marketing budget. And events are increasingly executed as an integrated component of the total marketing mix not just a one-off program. Winning events are kept

alive year-round with websites, webinars, seminars and other innovative programs. That’s why many companies are now treating events like they would an advertising campaign or a customer retention program.

With this in mind, CMOs should require staff and agencies to produce deliberate and calculated business cases that directly link events to corporate marketing objectives. Make sure events support the integrated marketing mix. As with any marketing plan, look for a deep understanding and segmentation of audiences with specific, actionable deliverables for each segment. It’s important to dissect the total cost of the event and indicate measurable return on investment.

“Clients are definitely looking for more strategic planning,” says Santangelo. “We approach events with an end-to-end communications plan and a complete roadmap.” •

## CASE STUDY: Learn From Event Success

**F**ourteen years ago, RSA Data Security's Jim Bidzos had an epiphany. He needed a forum to dissect governmental regulations around cryptography and promptly brought together 50 cryptographers to do just that. The forum quickly became a large-scale users group for developers. A few years later, the event was opened to the industry and took on new proportions, becoming the RSA Conference—the largest security conference in the world—boasting annual attendance in the tens of thousands.

Why was this event so wildly successful? Well, it's partly because security is so hot. But it's also about effective management. RSA Security decided early on that this needed to be an industry event and worked tirelessly to give attendees what they wanted. First, they embraced the fact that other vendors, even competitors, had value to add and invited

them to participate. Second, they needed an objective approach to content, so they delegated the agenda to an advisory panel that studied attendance and developed presentation tracks that matched the demographics of their audience. Most recently, they realized that the industry wanted more than an annual brain-dump. As a result, they're now supplementing the event with single-day sessions—called RSA Conference Power Days—held throughout the year, and a Web portal, RSA Conference Exchange (coming this summer), that features resources, blogs and tips.

"A vendor-run event of this magnitude is certainly rare," says Sandra Toms LaPedis, area vice president and general manager for RSA Conference. "Our success stems from our ability to put education over profit, providing an interesting and accessible opportunity for people to learn." •

## Think Outsourcing

**8** Outsourcing continues to be an intriguing trend in the events industry. "Event outsourcing has its ups and downs with the economy," explains John Lee, vice president of brand marketing at Embassy Suites Hotels, headquartered in Memphis, Tenn. "In a down economy, we've seen clients cut out the middle-man." The extent of outsourcing is restricted to logistics, like coordinating equipment and managing entertainment. But in good times, CMOs and their staffs plan, market and execute events in a grander fashion so they start looking for outside help. The bigger the event, the more complex the outsourced tasks, including marketing, registration, production and entertainment.

And, with the increased visibility of events, outsourcing continues to evolve. Many CMOs have begun to realize the business value in event outsourcing partners, says Karen Daniele, vice president at Nth

Degree, a face-to-face marketing company in Stone Mountain, Ga. And they're turning to agencies, event planners, destination management companies and venues for strategic direction. They want to team with partners that can lead their staffs; partners that can provide the insight, experience and creativity that comes with life in the

And they're not just pitching the event, they're shopping the brand, smack in the middle of the corporate-wide marketing mix. The event agency's role in studying audiences, guiding content and programming has taken a sharp rise as well.

Even the venues are doing their part. Destination management teams scout

## BE WARNED, SPONSORS ARE NO LONGER WILLING TO COUGH UP THE CASH WITHOUT TANGIBLE BENEFITS.

trenches. Thus, they're letting go of more and more of the mission-critical aspects of events management.

In a now typical scenario, partners have assumed responsibility for event plans, including targeting, programming, executing and measuring events against their clients' own business goals. Agencies—event or advertising—are taking on marketing,

amenities and local attractions, in lieu of corporate "away teams." More intriguing, Lee says, Embassy Suites Hotels plays a more strategic role in their clients' meetings. The hotel chain is beta testing Ideation™, a trademarked philosophy that inspires innovative thinking and helps facilitate meetings. From room design to facilitation technology, it pro-

vides the tools meeting guests need to “design, lead and, ultimately, experience meetings differently.”

Sometimes outsourcing partners assume full responsibility for the strategic function. An extreme example: “A leading worldwide corporation selected TGPJ to help consoli-

sarily have the opportunity to pull the ideal audience together. So they team up with eventers that already have.

Be warned, sponsors are no longer willing to cough up the cash without tangible benefits. “They want more than their logo on luncheon napkins or an obligatory mention

improve sponsorship packages. “It’s not about negotiation. We want to find out what’s important to them and understand what their goals are,” says Sandra Toms LaPedis, area vice president and general manager for RSA Conference. “Only then can we create the right package for each sponsor.” Toms LaPedis is hosting multiple, day-long discussion groups to do just that.

“Working so closely with our sponsors has resulted in huge goodwill and has turned our sponsors into advocates,” concludes Toms LaPedis. “And by eliminating offers they don’t value, we’re able to streamline costs.” •

## “FULLY 42 PERCENT OF ACTIVE BUSINESS TRAVELERS EXPECT TO TAKE MORE BUSINESS TRIPS IN THE YEAR AHEAD.”

-2005 NATIONAL BUSINESS TRAVEL MONITOR™

9

date its event management and production from more than 80 agencies and display houses in 30 countries into one, integrated marketing program,” says Michael Westcott, vice president of marketing at The George P. Johnson Group (TGPJ), an event marketing solutions provider in Auburn Hills, Mich.

Embassy Suites has seen its share of outsourcing partners. “It’s important to hire the right group, with the right experience,” Lee advises. “References and word-of-mouth referrals are your best bet.” •

10

## Hook the Sponsors With Deep Pockets

Whether it’s for profit or not, great events cost money—and lots of it. Of course, there are creative ways for CMOs to recoup those costs, and in many cases the big bucks are coming from sponsors.

Sponsorships are becoming an ever more popular way to fund events, from huge industry conferences to customer roadshows and even internal sales meetings. Sponsors are those organizations that see the value of a captive audience, but don’t neces-

in the keynote,” says Karen Daniele, vice president and general manager at Nth Degree, a face-to-face marketing company in Stone Mountain, Ga. Today’s sponsors need to prove their own ROI, so they’re looking for more exposure. They want to be part of the learning experience and they want attendees to know that they’re part of it, Daniele adds.

As a result, sponsorship packaging is much more challenging than it used to be. “Event producers are more open to a bigger presence from their sponsors,” Daniele says. And they’re becoming more creative and engaging in their efforts to woo sponsors with the most value-add. It’s now not uncommon to see packages with strong content presence, keynote spots, prime exhibit hall real estate and co-marketing. Even more important, according to Daniele, CMOs are playing a visible role in the process, from cold calling sponsor targets to rolling up their sleeves and conducting negotiations. CMO participation lets the sponsor know that their partnership is important and the event producer is serious about success.

RSA Conference, the world-leading security conference, created an exhibitor advisory group in an ongoing effort to

## Track the Travel Climate

“In the events business, it’s important to understand the travel climate and traveler opinions to gauge attendee receptivity,” says Gary Sain, chief marketing officer and partner at YPB&R. He reports that 2005 is positioned to be a strong travel year. According to YPB&R’s 2005 National Business Travel Monitor™ report, “fully 42 percent of active business travelers expect to take more business trips in the year ahead.” This spike is due in part to a healthier economy, pent-up demand, enhanced safety and affordable pricing. But what does this mean for CMOs? Lower site inventory, for one thing. Which, of course, leads to higher prices, shorter lead times and reduced availability of preferred locations. Sain recommends planning ahead to get the best venues for the best prices. Steve Enselein, vice president of catering and convention services at Hyatt Hotels and Resorts concurs: “Bookings have increased and they aren’t quite as last minute as they have been in the recent past.” •

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## CMO SNAPSHOT

# Plans of Change

EWINGCOLE ISN'T AS RADICAL A business as it first appears. The 44-year-old architectural and engineering company is committed to changing upper management every six years, an approach that is consistent with the philosophy that, to reinvent its industry, it must first reinvent itself.

While most companies change CEOs every three to four years, transitions are often chaotic. (Can you say, "See ya, Carly?") Mark Hebden, EwingCole's new executive vice president, says that managing turnover at his company is integral to its history and culture. One of the 25 largest architectural and engineering companies in the United States, EwingCole has annual sales of \$47 million and offices in five cities throughout the country. Hebden oversees the company's business development efforts, its business development positioning, and marketing and sales.

**CMO:** Doesn't it feel like EwingCole's management is always in turmoil?

**Mark Hebden:** It's interesting how we automatically associate change in leadership

with turmoil, probably because most change is forced or is a response to a lack of quality leadership and vision. In fact, the shareholders of EwingCole are eager to change the top leadership every six years to ensure that we cultivate and develop new leaders with new ideas, create opportunities for growth to retain our key people and guard against stagnation and complacency in our thinking.

**How are you different from companies that are in turmoil as a result of management turnover?**

We change leadership more frequently than most firms, but ours is a "managed turnover." Our founder, Alexander

Ewing, saw how his father's firm did not afford leadership to key people; it would lose those achievers and ultimately could not perpetuate itself. True to his beliefs, Ewing turned over the leadership of his own new firm within the first 10 years to Stan Cole. The board of

EwingCole took the tradition of turnover and made it part of the corporate bylaws.

**What are the advantages of such managed turnover?**

Planning and anticipating change is a better mind-set for our executives than trying to hold off or prevent change. It encourages each of us not to become ensconced in our positions, but to instead continually assess how we need to evolve to keep the company a growing success.

**What are some of the sexier buildings EwingCole has developed?**

That depends on how you define "sexy." If "sexy" is high-profile, then look at EwingCole's design of the new ballpark for the Philadelphia Phillies, Citizens Bank Park. The ballpark has the best fan experience of all the recent new ballparks.

**Doesn't it seem as if every project is the equivalent of a new product development process?**

Most of our projects or buildings are prototypes, developed in response to the unique vision, goals and needs of our clients. Even specific issues, like the site of a project, create unique opportunities and constraints that lead to a unique design solution.

Like product development, where research, testing and refinement are critical before going to market, the process of the development of design demands parallel activities to understand the client's mission. The design development process translates that understanding into a unique solution that will contribute to the client's mission and business success. That's a keystone of EwingCole's brand.

—Elaine M. Cummings

**MARK HEBDEN,**  
executive VP of  
EwingCole, is managing turnover  
instead of turmoil.

**Online Extra** >> [cmomagazine.com](http://cmomagazine.com)

For Mark Hebden's full interview, go to [www.cmomagazine.com/printlinks](http://www.cmomagazine.com/printlinks).



# The Need for Leads

Media reps love to talk about impressions and brand interactions. So what does a direct marketer have to do to get a hard sales lead instead of a soft impression?

BY BRYAN STAPP

**M**Y RADIO SALES REP IS VERY EXCITED that he got me 208 million impressions—worth more than \$1 million—as a make-good on my \$200,000 radio buy.

My interactive agency is submitting our company's Web campaign for an award because it got more than 150,000 brand interactions in a two-day period.

Terrific branding. But I want to know where my leads are!

Now, I'm really not trying to be difficult. As a marketer for the nation's largest online mortgage lender, I am certain that there is value in gross impression numbers; in fact, I know folks who would kill for some of the numbers we get. And I know that many brand adver-

tisers are comfortable paying for rating points and for an interactive brand experience that sows the seeds of preference in the consumer's mind. I agree there is value in these things—to a point.

But in my simple world of direct-response marketing, an ad pays for itself by generating a lead, which results in a transaction. I expect to earn a profit on every dollar of advertising spent: Is that too much to ask?

## Different Strokes

Selling media reps on the idea that every dollar needs to return a profit—and that every ad needs to pay for itself—really isn't that hard. They get it. They appreciate the detailed tracking we do and our willingness to share the data with them. They know that when we find something that works, I am happy to write them big checks every month as long as they keep performing.

The problem is that it's so much easier for media reps to sell the same inventory I want to buy to a brand advertiser, who holds them to a very different standard. Who can blame them? How much easier is it to have lunch with some agency guys, run some numbers by them, pretend to negotiate, agree to split the difference and be done by 3 o'clock?

Brand guys don't buy leads and results; they buy reach and frequency. As long as the audience is there, they've done their job by exposing countless millions to the brand.

But a direct-response marketer need leads. When my media reps tell me about all the brand lift I got and how they were able to give me some "bonus" inventory to make it better, I thank them, then cancel the next week's buy.

My vice president of mortgage banking doesn't care about rating points and frequency; he has hundreds of bankers who need a steady stream of new leads to build their business. My CEO is not impressed with unaided brand awareness and "bringing the brand experience to life"; he wants a return on his investment in marketing and an increase in mortgage originations. While some would argue that a positive brand experience spread across millions of consumers will ultimately build a groundswell of support for our company, I would argue that a new client today is worth much more than two potential clients tomorrow.

Of course, I am not a sophisticated brand

advertiser with the confidence to stake my career on ratings points and household impressions. Compared to those guys, I am a Midwestern turnip farmer. I need to measure cost per call, cost per lead, lead to transaction conversion, profitability per lead source and about 15 other things in-between. At the day's end, if the advertising doesn't pay for itself, few branding benefits really matter to me.

Does branding matter to a direct-response marketer? Of course it does! My brand is incredibly important: It needs to convey a high level of trust, expertise, professionalism and fun. Folks need to feel smart about working with my company and my brand. It is important for them to be able to say at cocktail parties that they got a great deal at

that if I find a program that consistently delivers leads that meet my metrics, I will push the reps to make the program bigger.

And that's the challenge: They need to work hard internally with their organizations to get more inventory, resources and buy-in to grow the program. But if I am willing to put my money where my mouth is, they should be willing to find more ways to make it work for me.

**Deliver more value.** There are always ways to make the deal work: Get creative! If I can't get a lower price, let's talk about more inventory. Take on some of my production costs. Or bundle in another property. If it's a radio show, give me some Web inventory. Have the host do a voiced spot. If it's a Web

**Stay focused on my metrics.** Resist the temptation to tell me how much some brand advertiser would be willing to pay for the inventory you just offered to me. If a deal didn't perform, don't tell me that it's OK because we got a lot of good branding out of it: I don't care.

The only metrics that matter are mine. If the deal doesn't work for both parties, we obviously won't do it. I understand that I will have to pass on certain opportunities that make sense to others—I get that. But I need my media reps to focus on my metrics and help me improve them. And remember: I will continue to write you big checks if you do.

**Make yourself part of my team.** The best media reps are the ones who function as a seamless extension of my marketing team.

## In my simple world of direct-response marketing, an ad pays for itself by generating a lead, which results in a transaction. **I expect to earn a profit on every dollar of advertising spent:** Is that too much to ask?

Quicken Loans, and that if you would like, they can refer you to their "guy" because he did a terrific job for them.

But that part of the job kicks in *after* they respond to our advertising and speak with one of our representatives. Our experts are the brand experience, the true essence of who we are and what we stand for. No amount of advertising can create the positive impression that a passionate team member can when she is working hard to put a client in a better financial situation.

### Five Ways to Win

So what does a direct marketer have to do to get a hard lead instead of a soft impression? I tell our media reps that the following rules will help them bring me better deals. And better deals are better for everyone. Knowing this motivates them to work harder for me instead of taking the easy route with the brand guys.

**Get me leads and I will write you checks.** This is so simple, it's silly. But the reality is

deal, offer me some additional impressions in an area I wouldn't normally buy to make the deal meet my metric.

But don't hold me to the conventional concept of a rate card. Instead, show me that you are investing in my business in the same way I am investing in your media. That's the way to cultivate a long-term relationship.

**Get your executives invested in my business.** I am proud of my business and I want your executives to share that excitement. Fly them out to see our shop. I want them to become clients so that they understand the difference we make in the marketplace. I want them to call and discuss the performance of our deals and to understand what does and doesn't work for my business.

Most media executives get isolated and crave strong relationships with clients who know their stuff. That's sometimes tough on the media rep, who may or may not want his chief executive involved in the pipeline. But the best reps see the value in building closer ties.

They are constantly thinking about my business and helping the rest of my team learn the ins and outs of their world and that of my competitors or other great advertisers.

The worst are pesky vendors who come up with their monthly deal of inventory they couldn't sell to anyone else, packaged with a boondoggle trip for two.

There is a rule of thumb that says half of all advertising is wasted, you just don't know which half. That may have been true once, but today I know exactly where to find the waste. As a direct marketer, my job is to get rid of all the waste. So I need my media reps to help me keep my house clean, not just give me better-looking trash. ●

Bryan Stapp is vice president of marketing at Quicken Loans, the nation's largest online mortgage lender and one of the 15 largest retail mortgage lenders in the United States, according to *National Mortgage News*. Quicken Loans closed more than \$12 billion in mortgage loans in 2004. Send comments to [cmofeedback@cxo.com](mailto:cmofeedback@cxo.com).



## Return to Sender

Authentication promises a new tool in the war against spam

BY JOHN GRECO

**T**O AUTHENTICATE OR NOT? That is the question when it comes to e-mail marketing.

E-mail authentication promises to increase the likelihood that legitimate e-mail—whether it is a marketing offer or a critical financial statement—gets through to customers and prospects.

Despite the obvious benefits of authenticating, such as helping to protect the integrity of trustworthy brands, some marketers have been slow to adopt this new technology. Some think it's better to wait until a single system emerges; others fear it could be too costly or time-consuming. Hanging back while technology standards sort themselves out can sometimes be a prudent strategy (think VHS versus Beta). This is not one of those times.

There are sound business reasons to embrace authentication. The Direct Marketing Association (DMA) estimates that legitimate commercial e-mail resulted in almost \$40 billion in sales last year. And e-mail's ability to deliver on investment by driving purchases was ranked second among all channels, according to the DMA's "2004 Response Rate Report." Imagine how much more value e-mail could deliver if spam, phishing and false positives were reduced, and consumer trust in the medium increased.

### Why Authentication Matters

There are two major types of e-mail authentication: IP-based and cryptographic. Their goal is the same—that is, to create a master source against which to validate e-mail messages. Authentication helps create accountability, something spammers have not had to worry about. Much of today's spam comes from senders who forge certain aspects of e-mail messages, such as the domain name in the visible "from" field.

Authentication also makes it difficult to forge IP addresses or the cryptographic signatures utilized by e-mail authentication systems. As these technologies achieve critical mass in the marketplace, someone sending an e-mail will be forced to accurately represent its origin, or else it will

not be delivered. Billions of spam messages could be completely removed from circulation, meaning less clutter in e-mail boxes.

Authentication also limits spammers to launching e-mail only from those domains for which they are authorized. These domain names are more easily traced to the individuals responsible for them, so authentication could make it easier to prosecute spammers under the Can-Spam Act. ISPs will also be able to more precisely block spam-sending domains.

Finally, some solutions have the potential to create economic barriers to spamming by increasing the infrastructure costs related to sending high volumes of e-mail. And as we all know, if it isn't profitable, spammers are less likely to do it.

### The Word from Washington

At the end of the year, the Federal Trade Commission will report on Can-Spam's efficacy. When that happens, it is likely that regulators will begin exploring additional measures to fight spam.

The FTC has been vocal in its support for the creation of common e-mail authentication standards, and last November, it convened the first-ever E-mail Authentication Summit. Perhaps the most remarkable aspect of the gathering was the realization of just how critical marketers are to authentication's success. Although there are many groups that will be involved in the creation and implementation of authentication standards, their efforts will not succeed if responsible senders of commercial e-mail do not take the initiative.

To guide marketers through the issues, the DMA and Bigfoot Interactive have issued a white paper, "Authentication, Accreditation and Reputation for Marketers." If your organization hasn't done so already, publish your authentication records today. The time spent registering with the Domain Name System directory is surely worth the benefits—a significant reduction in false positives, protection from phishing and spoofing attempts, and a spam-free mailbox for all of us and our customers. ●

John Greco is president and chief executive officer of the Direct Marketing Association. Send comments to [cmofeedback@cxo.com](mailto:cmofeedback@cxo.com).

## Earning A Seat In The Boardroom

# Marketing Credibility



**HP** is one of the leading technology companies in the world, with over \$83 billion in annual revenues and serving a broad spectrum of customers from global enterprises to more than a billion consumers worldwide. Delivering a globally consistent, high-quality customer experience is critical to its success. Yet, given its size — over 140,000 employees operating in 178 countries — maintaining this consistency and responsiveness was challenging.

After the merger with Compaq, Mike Winkler, Executive Vice President, Customer Solutions Group, HP, faced the added challenge of aligning and optimizing the activities of 86 different marketing organizations around the globe — each with its own systems, resources, budgets and marketing processes. "One of my first priorities as CMO," states Winkler, "was to use systems and analytics to evaluate our marketing spend and how we could optimize it, with the goal of honing marketing to be a true long-term contributor to HP's success."

Winkler opted to get the job done by partnering with Siebel Systems, HP Services and an SI partner to deploy an insight-driven, closed-loop solution that links marketing strategy to measurable business results. The first phase of the project, completed in 6 months, focused on deploying a marketing resource management solution to HP's 3,500 marketing users worldwide, using Siebel Enterprise Marketing Suite and Siebel Business Analytics fully integrated with HP's back-office financial systems.

Today, the entire HP marketing organization uses the same processes, system, language and metrics to plan, execute, and optimize its marketing investments.

The solution provides every marketer with near real-time customer and business insights that lead to smarter decisions about how and where they spend money.

**To learn more about HP's successful reinvention of marketing and how Siebel and HP can help you achieve breakthrough marketing results, simply visit [www.siebel.com/marketing-hp](http://www.siebel.com/marketing-hp) or call us at 800-307-2181.**

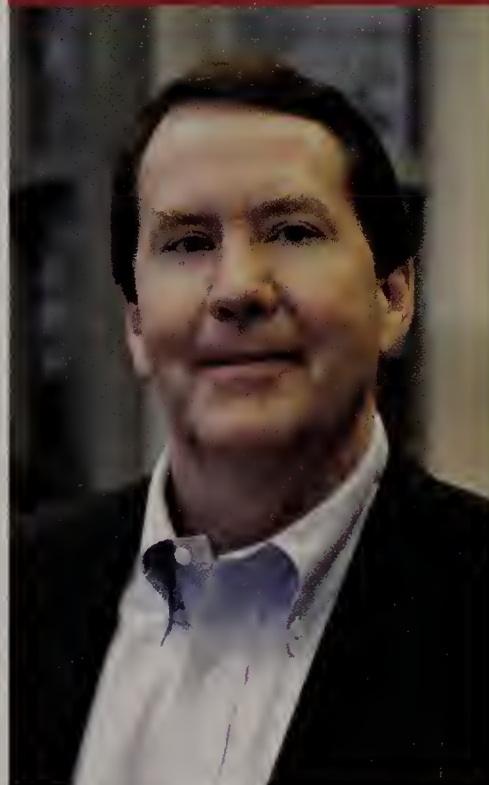
Winkler adds, "Siebel Enterprise Marketing Suite and Siebel Business Analytics offered a dramatic improvement not just in the efficiency and effectiveness of our spend, but also in our knowledge of what was appealing and what was not appealing to customers."

Ultimately, the solution helped align marketing with the strategic priorities of HP — earning marketing an influential position in the boardroom.

Marketing is now responsible for leading and synthesizing HP's long-range plan. "Marketing is at the strategic table at all times and constantly brings the voice of the customer to bear in every decision that we make as a company," says Winkler.

Now, HP and Siebel Systems are working together to bring to market a breakthrough Insight-Driven, Closed-Loop Marketing solution. They offer an integrated packaged software, services and infrastructure solution that leverages the success and experience at HP. Marketing organizations now have a new option to improve effectiveness, accountability and control while reducing costs, risks and time to market.

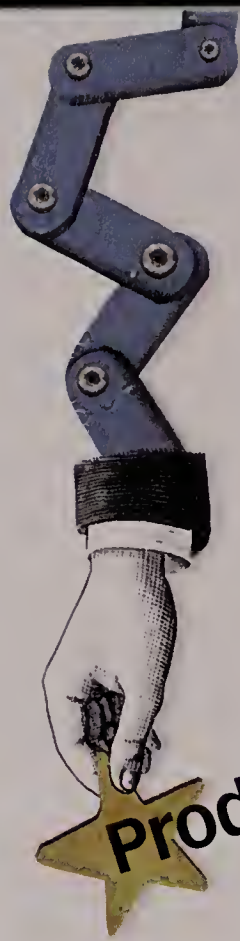
**It all comes down to winning results.**



*"In the end, our annual marketing spend has been reduced by 15 percent," Winkler boasts. "At the same time, we have been able to double our spend in advertising for brand and demand generation."*

— Mike Winkler,  
Executive Vice President,  
Customer Solutions Group, HP





**Product placement** can turn a brand into a star — if it passes the

# Screen Test

by Scott Kirsner

**Mark-Hans Richer, marketing director for General Motors' Pontiac division, counts Oprah Winfrey and Donald Trump as members of his team. Tony Wells, Visa USA's vice president of event and sponsorship marketing, got an assist this summer from Nicole Kidman and Michael Caine, stars of the**

PHOTO BY MARK RICHARDS; PHOTO-ILLUSTRATION BY KATY LEMAY

Start discussions early  
in order to negotiate  
the best integration for  
your brand, says Tony  
Wells, Visa USA's vice  
president of event and  
sponsorship marketing.





film *Bewitched*. Margaret Brooks, marketing director for GM's Buick division, probably owes a bonus to Eva Longoria, one of the stars of ABC's *Desperate Housewives*. Richer, Wells and Brooks are true believers in the marketing merits of product placement—one of the most talked-about strategies of 2005. By integrating a product into a movie, television show, video game or even a Broadway musical, these marketers are angling to snare consumer attention and to do it better than any traditional marketing vehicle could.

The trio is by no means alone in their efforts: 63 percent of 118 senior marketers surveyed by the Association of National Advertisers (ANA) say their companies have used some form of branded entertainment—products woven into program content—in the past year. The hope is that these “integrations,” as they're often called, will catch more eyeballs than the increasingly ineffective 30-second spot, which is being victimized by TiVo and other ad-skipping technologies.

But while product placement may imbue a car or credit card with a celebrity aura, the practice is rife with risks. It's impossible to tell, for example, whether a show will be a hit or a dud. With films, the release date can shift, wreaking havoc on promotional tie-ins. Measuring a placement's impact is difficult at best, and will remain so until industrywide standards emerge. The pricing model for integrations is inconsistent, often reflecting whatever the highest bidder is willing to pay. Finally, marketers usually don't have ultimate control over the context in which their product appears. Remember Cuba Gooding Jr. shouting “[Expletive] Reebok!” in *Jerry Maguire*?

Despite those worrying variables, Richer and others believe a calculated gamble on product placement can be part of a prudent strategy in today's changing media landscape. “I don't think TV is going away, or that TiVo will kill commercials, but things are changing,” says Richer. “It's much harder to get noticed amidst the noise.”

Smartly executed, product placement offers one way to rise above the commercial cacophony. One of Richer's splashiest deals was the giveaway of 276 new Pontiac G6 sedans to *The Oprah Winfrey Show*'s studio audience during the 2004 season premiere. Oprah herself visited a GM plant and test-drove a G6 on the air. The giveaway achieved its goal of raising product and brand awareness: Research afterward showed “95 percent of people in America knew about the promotion,” according to Richer. Pontiac has sold about 68,702 G6 sedans since the model hit the market last October, according to Mike Chung, a pricing and market analyst for Edmunds.com. And G6 sales are gaining traction, with 11,874 sold in June.

Understandably, Richer's enthusiasm for placements remains high. “If you're in marketing, and you're basing your whole strategy on certainties, you're missing out on a lot of the opportunities,” he says. “Who sits around trying to lock down certainties in this day and age?”

## Stardust Memories

Product placement may finally be getting its moment in the spotlight, but it's not new. In 1945, Joan Crawford served up Jack Daniel's whiskey—and won an Oscar for best actress—in *Mildred Pierce*. In the 1950s, *The Dinah Shore Chevy Show* featured the star singing “See the U.S.A. in your Chevrolet,” usually while cruising around in a convertible. And in 1982, Hershey Foods offered up Reese's Pieces—then a slow seller—for inclusion in the movie *E.T. the Extra-Terrestrial*. Sales of the candy soared among kids who hoped to lure their own friendly alien home.

Marketers who pursue product placements are chasing “the magic moment,” says Mark Workman, founder of FirstFireworks, an entertainment marketing company. Earlier in his career, Workman arranged product placements for Sony Pictures and Walt Disney. An archetypal magic moment? The integration of Ray-Ban sunglasses into the first film in the *Men in Black* series, a deal he worked on while at Sony.

“The movie came out in the summer, obviously the big selling time for sunglasses,” Workman says. “Will Smith's career couldn't have been hotter. Then you have the dialogue, where he and Tommy Lee Jones put on their Ray-Bans, and Will Smith says, ‘You know the difference between you and me? I make this look good.’” Ray-Ban sales soared, as did profits at retailer Sunglass Hut, which installed cardboard cutouts of the stars in each of its stores. Talk about magic.

Placements can get consumers to reevaluate an existing product (such as Ray-Bans) or to notice a new one (such as the April episode starring the new Pontiac Solstice on NBC's *The Apprentice*, which helped generate 7,116 preorders in the 10 days after the show aired). This is the Holy Grail of placement: to have a product woven into the plot rather than simply positioned somewhere on the set. Such seamless melding



# Placement EXam

enhances an advertiser's ability to deliver its message or, hopefully, connect its brand emotionally with consumers.

In a key moment from 2004's *National Treasure*, Nicholas Cage's character is stealing the Declaration of Independence from the National Archives when a gift shop employee, thinking that he's carrying a souvenir replica, asks him whether he's paid for it. But Cage is out of cash. So he pays with his Visa card.

"That conveyed the key brand attribute," says Wells. "The card is there, and it allows you the freedom to do what's important. It's an enabler."

Initially, Wells says, that scene wasn't as pivotal to the plot, and he says that Visa wasn't comfortable with another part of the script in which law enforcement officials used credit card transactions to track Cage's character. "We were able to rework it," he says. That may be because Visa and Disney, the film's producer, have a global marketing alliance that extends beyond this one film.

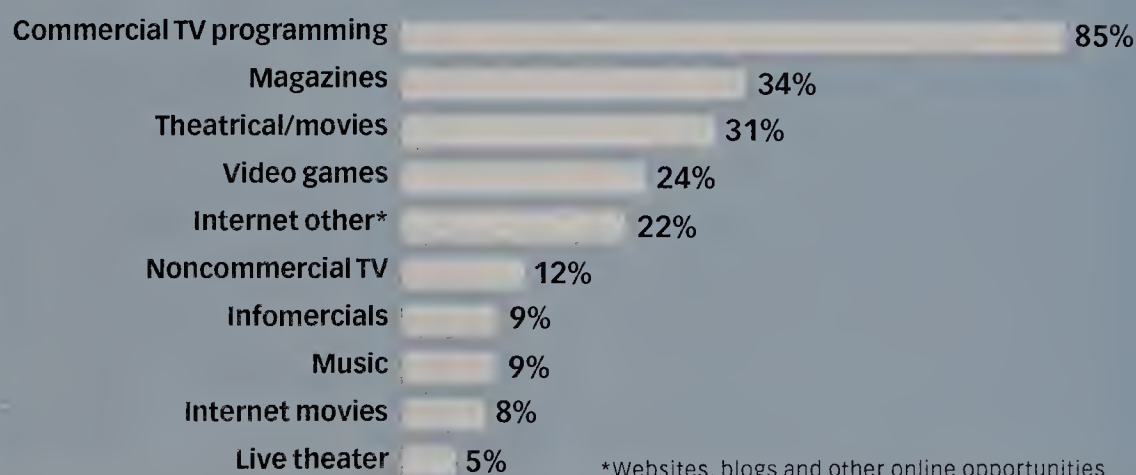
## The Race to Place

Product placement spending is expected to top \$4 billion this year, according to the PQ Media research company. The pace of placements has also accelerated as companies race to get their brand in front of consumers. For instance, Nielsen Media Research reports that the first quarter saw 12,867 placements among the top 10 prime-time TV shows, compared with 23,526 placements in the top 10 shows during all of 2004.

But marketers aren't eager to talk about the economics or structure of placement deals, and there's nothing close to a standard rate card. "It's all done on a what-the-market-will-bear basis," says a producer who used to work with Mark Burnett Productions, which is responsible for *Survivor* and *The Apprentice*. "How badly do you want to be in the show, and what are you willing to pay?"

Generally, placements break down into three pricing categories: Some are free,

When it comes to participating in branded entertainment, most marketers turn to television.



One of the chief benefits of this strategy is its ability to reach consumers.

Alignment of brand with relevant content  
**80%**

Ability to make stronger emotional connection with consumer  
**72%**

Build brand affinity with a desired target group/demographic  
**72%**

Avoidance of traditional commercial clutter  
**55%**

Protection from increased consumer control due to new technologies  
**48%**

A trendy/sexy communications tool  
**10%**

Eighty percent of marketers try to measure the impact of product placement. Here's what they focus on.



SOURCE: ASSOCIATION OF NATIONAL ADVERTISERS

including incidental cameos; others are barter deals in which there is a quid pro quo, such as a company agreeing to help promote the show or film; and in some, a fee is paid, or the integration comes as part of a big ad purchase—as a kind of bonus. Control over the content and context of a placement varies, but a general rule is that the more it costs, the more sway a marketer is likely to have in the production process.

United Airlines didn't have to buy its supporting role in the Tom Hanks movie *The Terminal*. Neither did FedEx in *Castaway*, another Hanks vehicle. The companies in those instances provided the use of their brand and served as consultants to ensure that airport announcements sounded realistic and uniforms looked right.

For movies such as *National Treasure*, marketers often commit to helping promote the film in their own advertising, without paying a separate placement fee. Visa, McDonald's, Verizon Wireless, America Online and others contributed to a \$160 million marketing war chest, which exceeded the movie's \$100 million production budget, according to *USA Today*.

Visa's Wells, who works with First-Fireworks to identify placement opportunities, says it is crucial to start discussions early. "When you come into it late, the integration isn't as strong," he says. "And you can't negotiate what's best for your brand." For example, Wells says that with *National Treasure*, he put some criteria into the contract to keep the film's release date from moving, which would have upset the coordination of Visa's television spots.

Wells also tries to never forget that even when big-name stars and well-regarded producers are involved, product placement is never a sure thing. In this summer's *Bewitched*, a witch played by Nicole Kidman turns a Tarot card into a Visa Signature card, which she then uses to pay for a purchase. "Even if we had the best scene in the world, if the film isn't going to do well at theaters, you've lost the game," he says. "Or if you're in a blockbuster, and the scene doesn't promote your brand in the right way, you've still lost."



## Controlling Interests

Even when product placement opportunities materialize without a price tag attached, there's still the issue of control. After all, no brand wants to be portrayed in an unflattering light. Ask Reebok, which filed a \$10 million lawsuit, eventually settled, against TriStar Pictures. The shoe manufacturer's complaint: It worked with the producers to ensure that *Jerry Maguire* ended with Gooding's character triumphantly filming a Reebok ad to compensate for a tirade against the company earlier in the film. It didn't. (The DVD, however, now includes the commercial.)

FedEx tries to exert as much control as possible, but the company is

**"The target market for the Buick LaCrosse is affluent 35-to-59-year-olds, and about half of them are women. That was a really nice fit with the *Desperate Housewives* fan base, which is a very upscale fan base."**

—BUICK MARKETING DIRECTOR MARGARET BROOKS

At Buick, Brooks says that it's important to focus on whether a placement will reach the right audience, and not just chase the current "hot show." In an episode of *Desperate Housewives* that aired in January, Gabrielle (played by Eva Longoria) gets a job as a model to earn money while her husband is in jail. She winds up in an elegant blue gown, showing off a Buick LaCrosse at the mall. "The target market for the car is affluent 35-to-59-year-olds, and about half of them are women," says Brooks. "That was a really nice fit with the *Desperate Housewives* fan base, which is a very upscale fan base."

Brooks says that Buick had some input into the script, OK'ing the parts featuring their product. "The producers came to us and asked for some key talking points," she explains. "When we saw the show, they stayed right on script." That integration was part of a large ad buy with ABC; the episode, seen by about 20 million people, also included two traditional Buick commercials.

## Game On

For youth-oriented brands, from Sony to Burger King to Honda, stepping into the video game universe has been growing in importance. "If you look at 12-to-30-year-olds, especially males, they're spending time in front of the TV set," says Tom Peyton, senior manager of national advertising for American Honda Motor. "But it's not necessarily watching network TV content. It's playing video games."

Honda vehicles (such as the Element van) have been integrated into several games produced by Electronic Arts (including *The Urbz: Sims in the City* and *SSX3 Snowboarding*). Peyton says, "If you have a place where people are spending lots of hours, and it's a visual medium, then it's just a matter of finding the right equation for advertising."

Peyton says that games can deliver some solid metrics to marketers, such as the vehicles users choose to drive. But in other instances, such as a virtual snowboarder rocketing past a Honda billboard, the impact is just as hard to gauge as a real-world driver speeding by a highway billboard.

One agency that Honda works with is Massive Incorporated, which earlier this year unveiled an in-game advertising network capable of delivering time-sensitive ads, such as those for a concert tour or movie release, to an audience of several hundred thousand gamers.

"A Sprite logo might appear on a vending machine, or you might see a poster in the subway or a Honda logo on the side of a container ship—anywhere you'd expect to see advertising in the real world," says Nicholas Longano, Massive's CMO. Unlike a Web banner, the ads aren't clickable.

Fifteen seconds of exposure to an ad within the game, such as running quickly past the logo several times, counts as one impression, Longano explains. He says the CPM pricing is similar to television's, but that players remember the ads within games better. "When you're playing a video game, you can't do anything else," Longano says. "You're not multitasking. You're completely engaged."

Pontiac's Richer says he prefers to work directly with game developers to get performance-oriented cars such as the Pontiac GTO and Solstice placed in driving games. "We build our relationships organically with the content creators as much as we can," he says. "A lot of times, good ideas just shake out from that."

realistic about its limits. FedEx vehicles and couriers were prominently featured in films such as *I, Robot*, *Bowfinger* and *Runaway Bride*. It even set up a website, [www.fedexidentity.com](http://www.fedexidentity.com), to screen requests to use the brand in any medium. Gayle Christensen, the director of global brand management at FedEx, says that the company never pays for placement: "We don't pay, because we don't have to."

Christensen says that when the company was approached by the producers of *Castaway*, the opening plane crash that strands Hanks' character on a desert island—"made all of us very nervous for all the obvious reasons. But after all, it was Tom Hanks playing a FedEx employee. And he delivered the package at the end, if you remember." FedEx provided props and employees to assist with the production. "But they wrote the script, and we weren't allowed to change anything," she says.

Christensen won't completely rule out ever paying to fold FedEx into an entertainment property. "People aren't paying attention to ads the way they used to," she acknowledges. "We've been approached by *The Apprentice*'s producers and a couple of other reality shows. We didn't think it was worth it. But FedEx is always exploring new and innovative ways to create awareness."

## Spotlight on Metrics

The biggest unknown in the placement business, even when a product does a star turn in the multiplex, is how to measure the impact on viewers. Some 20 percent of marketers don't even try, according to an ANA survey. Of those who do, a majority — 56 percent — find it challenging to measure branded entertainment initiatives.

Some companies use placements to drive entries in a contest or visits to a website, then use those numbers as a proxy for impact. Cingular Wireless, featured prominently on Fox's *American Idol*, can track the number of votes sent via text message through its system. What it can't track is whether the placement has directly helped generate sign-ups.

FirstFireworks' Workman talks about "the factor"—a multiplier that can be used to compare the cost of a placement in a TV show or film to that of a traditional 30-second commercial. Is a placement worth more or less? "Eight seconds within a show may be worth as much as a 30-second ad, or more," Workman says. But determining what "the factor" should be is entirely subjective.

Research and analysis organizations—such as Nielsen Media Research, Brand Advisors, IAG Research and iTVX—are trying to make the valuation of placements less subjective. iTVX, for instance, employs a team of international "scanners," editors and analysts whose job is to identify products that appear in television shows. They import the video into a company-designed software tool and study 50 variables, such as where the product appears in the frame and whether the brand name was spoken clearly. The goal is to generate a more objective, third-party-certified version of the factor, which the company dubs a "Q-Ratio."

"If a placement has a Q-Ratio of .50, then that's worth half of a 30-second commercial," explains Frank Zazza, chief executive of iTVX. "If I got that placement for \$100,000, and a 30-second ad in the same show would've cost me \$400,000, then you might say that's a good deal." Customers pay a monthly subscription fee to receive data from iTVX about their placements.

Eventually, Zazza predicts, marketers will pay based on a placement's performance, establishing the parameters for a product placement with producers beforehand, agreeing on the CPM cost and then paying after the show airs. "Today," he says, "it's the Wild West. But the marketers have the gold, and eventually, they'll make the rules. Right now, though, they're frightened that the competition will get a placement that they won't."

With *National Treasure*, says Wells, Visa measured the impact the placement had on card usage during the 2004 holiday season. "Our volume in the period between Thanksgiving and New Year's was up 19 percent over 2003," he says, even though the company doesn't attribute that entirely to the film. Wells adds that Visa is continuing "to put more defined criteria around our branded integrations to measure effectiveness." The same is true at General Motors, says Richer.

But many marketers aren't content to sit on the sidelines until an industry-standard scorecard is in use. "There are no agreed-upon measures," says Honda's Peyton. "But if you're trying to get people to value your brand in a different way, that shouldn't stop you from experimenting."

A variety of dynamics could influence the future effectiveness of product placement. Prices could spike as more marketers rush in and vie for



**"The moment you focus on the business over the entertainment value, people will recognize it, and they'll be turned off."**

—MARK WORKMAN, FOUNDER, FIRSTFIREWORKS

the best opportunities; the ANA survey found that 79 percent of marketers already feel that placement deals are overpriced. As more placements appear in more media, consumers could grow inured to them.

Workman warns that burnout is a possibility, especially if logos become too prominent and integrations too clunky. "The moment you focus on the business over the entertainment value, people will recognize it, and they'll be turned off," he says. "I don't think there's any question that a lot of marketers and producers will make that mistake."

Placement isn't the sole solution for shoring up a brand's connection with consumers, says Brian Terkelsen, senior vice president and director of entertainment marketing at MediaVest, a media planning and buying agency. "This is a tactic that should be part of an overall strategy. You don't want to build your business on a tactic. You need to really clearly understand your objectives and how this fits in." And it's important to understand the new consumer behaviors emerging in what Terkelsen terms "the era of visual engagement," which involves trends around cell phone usage, instant messaging and video-on-demand—not just television, films and video games.

But there is one fundamental that hasn't changed and isn't changing, says Workman. And it's the thing that accounts for Pontiac enlisting Oprah's help and Visa cozying up to Nicole Kidman. "When push comes to shove," he says, "we gravitate toward the brands that are more entertaining." ●

Scott Kirsner is a freelance writer based in Boston. Send comments on this article to [cmofeedback@cxo.com](mailto:cmofeedback@cxo.com).

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"One-size-fits-all is  
really the death knell  
for e-mail marketing."

—JOHN DECAPRIO,  
VP OF E-COMMERCE, FOSSIL

# CAN'T SPAM

Stop blasting e-mails at your customers,  
and come up with something relevant.  
Or else. **By Beth Stackpole**

# Fossil, the hip fashion accessory maker, is all about individual style and personal taste. That ethos was nowhere in evidence when the company

took its first shot at e-mail marketing six years ago: All 1 million customers on Fossil's e-mail list received a generic message. Every month or so, it repeated the mass mailing for a different product, hoping the message was relevant enough for some section of the full customer base to respond to the offer. The strategy worked fine, initially. But in 2003, the message began to lose steam. Between 2003 and 2004, average open rates on the e-mails dipped by 28 percent, and conversion rates declined by 36 percent. And more customers began opting out of the e-mail list. "One-size-fits-all is really the death knell for e-mail marketing," acknowledges John DeCaprio, Fossil's vice president of e-commerce. "If you hope to fight people clicking the 'this is spam' button every time you send a message, it has to be relevant for that particular audience."

With its "batch and blast" strategy waning last year, Fossil developed a more personalized e-mail marketing campaign. Using software and services from Silverpop Systems, Fossil began analyzing website click patterns to target its communications based on the browsing and purchasing behaviors of online visitors. Using this same Web information, as well as customer data from its SAP system, Fossil now divvies up its e-mail list into a half-dozen segments, to which it sends messages and promotions about the products that are most relevant to each group. Fashionistas, for instance, might get pinged with a message touting the build-your-own-watch bar, while sci-fi aficionados receive offers for collectibles such as the autographed *Star Wars* timepiece.

Since the segmentation campaign started, Fossil has tracked a 54 percent increase in open rates over 2004 levels, while conversion rates are 84 percent above where they were in 2003. Fossil's Q4 2004 e-mail channel revenue was three times higher than in the same period the year before, in part due to the targeted campaigns.

DeCaprio has learned what many marketers still don't get: Power-blasted e-mails, although cheap and easy, are lost in a cybervortex. Or worse, the onslaught of unwanted, inbox-clogging messages has soured many consumers on all promotional e-mail, even the ones they've signed up to receive. Two-thirds of the respondents to a 2004 Forrester Research survey said the messages they get aren't interesting, and a whopping 77 percent said they deleted promotional e-mails without reading a word.

"The way companies have been doing e-mail is grossly wrong," says Bill Nussey, CEO of Silverpop, a provider of permission-based e-mail marketing solutions, and the author of *The Quiet Revolution in Email Marketing*.

As disenchanted as the public may be with e-mail offers, the medium is still very much a viable marketing tool—if used properly. The same For-

rester survey shows that consumers appreciate receiving information from companies via e-mail—if that information is relevant to their interests, if they have trust in the marketer delivering the message and if the e-mail delivers real value.

How do you turn those "ifs" into absolutes? To cut through the clutter and reengage the customer, marketers need to embrace new practices as well as some good old-fashioned direct-marketing techniques such as segmentation and testing. Success means sacrificing list size for a narrower

## HOW MUCH IS TOO MUCH?

**WITH THE EXTENSIVE AMOUNTS** of online and other data available these days, marketers face an ever-present danger of getting a little too personal with customers.

Using website click-through patterns to send e-mails to customers that are specific to their online activity (such as an item left in a shopping cart) or customizing e-mail with too much personal information (a birth date or a mailing address, for example) can alienate consumers who are gun-shy about identity theft, experts caution.

At Williams Sonoma, the e-mail marketing team tries to make its messages as relevant as possible without crossing into Big Brother territory. This spring, the company sent 300,000 e-mail subscribers a special offer for a personalized Mother's Day gift: an apron labeled with the e-mail recipient's name. The promotion was a tremendous success, in part because of that personalization, says Christina Nicholson, direct marketing manager at Williams Sonoma in San Francisco.

Nicholson plans to continue investing in new e-mail marketing tools that will allow Williams Sonoma to tap into website behavior to figure out the best promotions and to deliver more customized content. But she remains cautious about using too much of that data.

"The [apron promotion] is as personalized as we've gotten," Nicholson says. "Customers know we know their information. They know about cookies and they're Web-savvy. But we don't blatantly call out [too much personal information], because it's a little creepy." —B.S.

but more receptive audience. And it requires some heavy lifting on the technology front to analyze and integrate website behavior and information from other customer databases across the organization.

"In the new generation of e-mail marketing, companies need to stop thinking about consumers as targets, but rather consider them as individuals," says Jim Nail, a principal analyst at Forrester. "They need to make sure the messages are tuned to the value they can provide the customer rather than the value the business is pushing."

## NOT DEAD YET

If batch-and-blast e-mail has outlived its usefulness, then why are so many marketers still using it? The answer is simple: Even if it's not an optimal way to reach customers, the e-mail equivalent of a carpet bomb is so inexpensive that many marketers believe there's no harm in dropping one on their customers.

That's a dangerous view, most experts contend. "The cost of the [batch-and-blast] approach is not immediate in terms of campaign cost and returns, but in harm to your long-term customer relationships," says Shar Van Boskirk, a consulting analyst with Forrester. "One value of e-mail is to create an ongoing, interactive dialogue with customers that may help them feel emotionally connected to your brand."

Even if blast e-mails provide an initial boost in sales because of the sheer volume of recipients, Van Boskirk adds, "too many irrelevant messages will deteriorate customer relationships and counter any long-term loyalty goals."

The long-term benefits of using more advanced segmentation techniques for e-mail campaigns should be clear to most CMOs. Targeted content helps a company establish an ongoing conversation with a customer, in which sequenced e-mails build off one another to drive the customer toward a particular conversion—be it making a purchase or signing up for promotions and newsletters.

More marketers are taking small steps in this direction by personalizing messages with the recipient's name, for example. Other simple segmentation tactics include dissecting an audience by demographics and geographic region (see "The Simple Segmentation Life," Page 32).

Another approach is to court customers' feelings of investment. For example, let customers take the lead by setting up a personal preference page on your website. Through a series of simple questions, visitors can select the topics and types of communications they wish to receive, and their preferred frequency for receiving those messages.

Scotts, for instance, relies heavily on preference pages to drive segmentation for its e-mail campaigns. The manufacturer of lawn-care and gardening products embraced segmentation from the start of its e-mail marketing efforts more than five years ago for a very practical reason: "People in Georgia are dealing with conditions in their yard that are very different than those in Boston or Minnesota," says Joel Reimer, the com-

# HITTING THE TARGET

**E-MAIL SERVICE PROVIDERS** and e-mail marketing software vendors are offering up new capabilities that make it easier for marketers to move away from batch-and-blast campaigns. David Daniels, research director at JupiterResearch, provides a rundown on a few of the more sophisticated attributes marketers can leverage to create targeted e-mail marketing programs.

**Clickstream data analysis.** Using Web analysis functions that many e-mail service providers and software vendors are beginning to offer, marketers can track consumers' browsing behavior to develop insights into what holds their interest. Marketers can see what products customers are perusing, whether they've abandoned a transaction and even what kind of creative message best resonates with them. By aligning that knowledge with subscriber lists, e-mail marketers can fine-tune messages and target promotions to specific groups.

**Recent purchase behavior.** Knowing exactly how often customers make a purchase and at what price point they're most inclined to buy is a critical insight for tailoring e-mail messages. With this information, a marketer would know, for example, to spotlight big-ticket items in e-mail promotions sent to customers who have a track record for buying expensive merchandise, while touting lower-budget items to customers who have a history of being more price-sensitive.

**Multichannel spending.** Marketers can integrate purchasing behavior from other channels, such as storefronts or catalogs to drive e-mail personalization and segmentation. For example, e-mails can alert catalog shoppers that a new issue is on the way, or a company could e-mail store-specific coupons to customers who frequent a local retail shop.

—B.S.

pany's former interactive marketing manager. (He left Scotts in June, after being interviewed for this story.) "We don't have a national message we can blast out. We wanted to make e-mails more relevant and get people engaged in the category."

Scotts has two major e-mail initiatives: The first is a lawn-care reminder service that tells subscribers what products to apply to their lawn and when; the second involves more traditional newsletters that serve up custom content based on subscribers' self-selected information from the preferences pages. At first, the Scotts team handled segmentation for both campaigns manually, using spreadsheets and manpower to divide the audience into categories based on geographic region, grass type, lawn-care program and so on. But the cumbersome process didn't allow marketers to

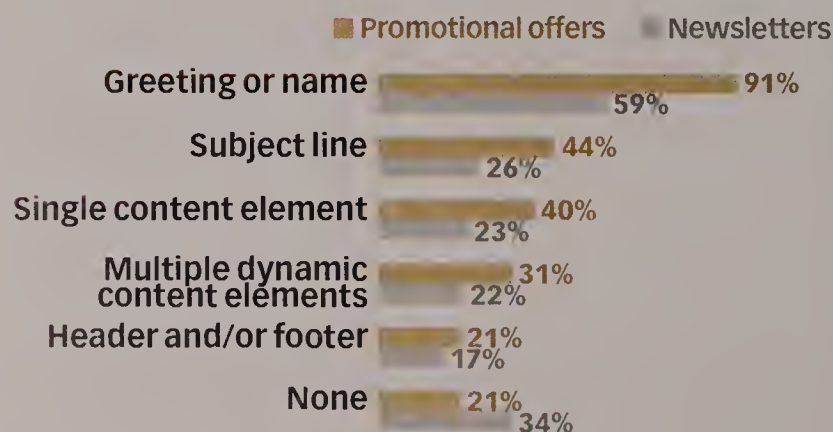
# THE SIMPLE SEGMENTATION LIFE

Some primary attributes used by e-mail marketers for targeted messaging



# DON'T TAKE IT PERSONALLY

Forms of personalization used in e-mail marketing campaigns



SOURCE FOR CHARTS: JUPITERRESEARCH 2004 EXECUTIVE SURVEY OF E-MAIL MARKETERS

create enough variations of content or produce new e-mails in short order. To move its program to the next level, Scotts turned to a permission-based e-mail marketing platform from ExactTarget. Now, Scotts' marketing group can drive new, more targeted content to its subscribers quickly, without relying on a service provider to orchestrate a campaign.

Using the template and business rule functions of the ExactTarget platform, Scotts can create one e-mail that can be easily tailored for each audience. "We can create a customized message for each person based on where they live, their grass type, et cetera, and change content around that," says Kip Edwardson, Scotts' interactive project manager. "The possibilities are limitless."

The targeted programs have translated into higher-than-average subscriber rates to its lawn-care reminder service, which now has more than 830,000 recipients, and helped boost sales of the Scotts products used in the four-step lawn-care process. (On average, subscribers are putting down one additional application of Scotts products on their lawn each year, compared with nonsubscribers.)

The next step for Scotts' interactive marketing team is integrating purchase and other data collected from the Scotts website to develop even more targeted messaging, such as messages reminding customers to apply their next round of fertilizer.

## STRETCH GOALS

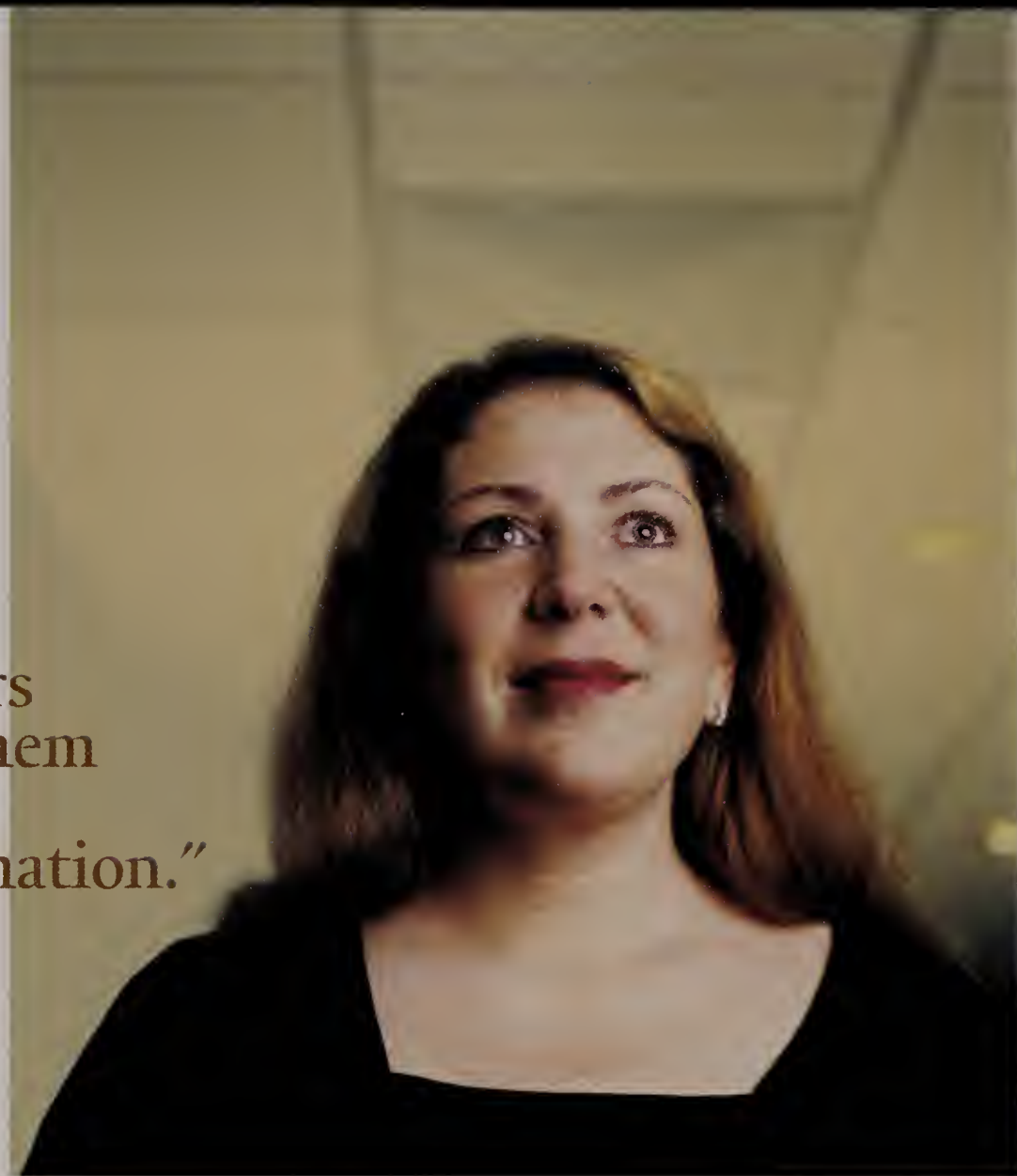
Tapping into this type of purchase behavior (whether online, through catalogs or in stores) or site usage is still a stretch for many companies, experts say. In a 2004 JupiterResearch survey, less than one-third of the respondents said they use and analyze Web clickstream data to help with customer segmentation. Those who do use it, however, reported a ninefold jump in revenue growth over broadcast campaigns and increased net profits by an average of more than 18 times over batch-and-blast e-mail, according to David Daniels, research director at JupiterResearch.

Those returns may help CMOs justify the additional resources required to launch more personalized e-mail marketing campaigns. Unlike low-budget and low-maintenance batch-and-blast techniques, this next generation of e-mail marketing requires a heavy investment in time and technology. Special software and services are required to automate the process of dynamically generating and pushing out relevant content, while additional man-hours must be spent developing unique creative for each target segment. In general, marketers should expect to pay twice as much for a targeted e-mail campaign than a traditional batch-and-blast program, says Daniels.

Pricing is only part of the challenge. Some of the resources needed to integrate all the customer data scattered throughout an organization simply don't exist (or haven't until recently). "The data is there; it's just that there's been no way to leverage it, so marketers fall back into mass mar-

**“Being in touch with consumers at the right time allows us to move them through our lifecycle and give them targeted information.”**

—JULIE KEYWELL, SENIOR VP, IPARENTING MEDIA



keting,” explains Chris Baggott, cofounder and CMO of ExactTarget.

Software and service providers—including Bigfoot Interactive, ExactTarget, Silverpop and others—are beginning to respond with updated e-mail marketing platforms that the vendors claim make it easier for marketing teams to create their own segmentation and content development strategies, without a heavy investment in IT infrastructure or third-party consulting services. Many of these next-generation platforms provide templates and other functions that help marketers create and distribute multiple versions of e-mail offers or tailor content in newsletters without advanced programming. Many showcase sophisticated rules engines for creating complex message sequences that are triggered by certain events, such as a purchase or a birthday. Vendors are also adding new website tracking and analysis tools to their e-mail marketing platforms to provide a more in-depth picture of their online visitors’ activities.

“Structuring [content] based on what the user did and was interested in has a huge impact on how effective e-mails are,” says Josh Baer, CEO of Skylist Email Marketing Solutions, an e-mail service provider. “And with tools making this a lot easier, anyone can do these kinds of sophisticated mailings.”

## STAYING IN TOUCH

New dynamic content and campaign automation technologies from Skylist are helping e-mail marketers at iParenting Media, a network of 40 family-related websites and communities that currently serve about 1 million subscribers. Using Skylist’s StormPost technology, iParenting can reach out to members with content targeted at various stages in the parenting lifecycle. Through a combination of preference pages and clickstream data analysis, iParenting can serve up to subscribers specific articles of

interest along with relevant coupons and promotions. A newsletter subscriber who clicks on a link related to “baby’s health,” for example, would begin receiving newsletter content specific to that subject, along with coupons for vitamins or fever reducer.

“We wouldn’t be able to do anything like that without segmenting and targeting. The sophistication of the technology has really evolved,” says Julie Keywell, senior vice president at iParenting Media. “Being in touch with consumers at the right time allows us to move them through our lifecycle and give them targeted information.” Keywell says iParenting has already recouped its initial technology investment and has seen its website traffic increase 64 percent since implementing its segmentation strategy.

So where does the CMO fit in all this? E-mail marketing groups typically comprise a small team sprung from IT or e-commerce. As a result, their efforts generally fly under the radar of the rest of the marketing mix—and are accordingly underfunded. “CMOs haven’t been as involved as they should be,” says Michael Della Penna, CMO of Bigfoot Interactive. “But now that they’re being held more accountable for how they spend money, you’re starting to see a lot of them show up at the e-mail marketing meeting.”

It’s time, many experts say, for CMOs to acknowledge the potential of e-mail marketing not as a broad-stroke communications tool, but rather as a highly measurable and controlled way to foster relationships with customers.

“The punch line of all this is that e-mail is not an advertising medium; it’s a relationship medium,” says Silverpop’s Nussey. “If you view it the same as a broadcast medium like TV, radio or print, you’ll ultimately be unsuccessful. But there’s never been a better tool for building relationships and customer loyalty.” ●

Beth Stackpole is a freelance writer in Newbury, Mass. Send comments to [cmofeedback@cxo.com](mailto:cmofeedback@cxo.com).

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For more on the promises and perils of e-mail marketing, go to [www.cmomagazine.com/printlinks](http://www.cmomagazine.com/printlinks).

# Not So Simple

RSS technology threatens to shake up the online ad model. Figuring out the solution won't be easy.

By Deborah Branscum

**"RSS is a no-risk proposition for consumers. From that perspective, it's just a real clear channel straight to the consumer."**

—CAILIN PITCHER, SENIOR MARKETING MANAGER, CITRIX ONLINE

**Really simple syndication** is really sizzling.

Forward-thinking marketers are abuzz about the potential of this emerging medium, which allows online articles, blog posts, podcasts and other content to be distributed via news feeds to millions of consumers.

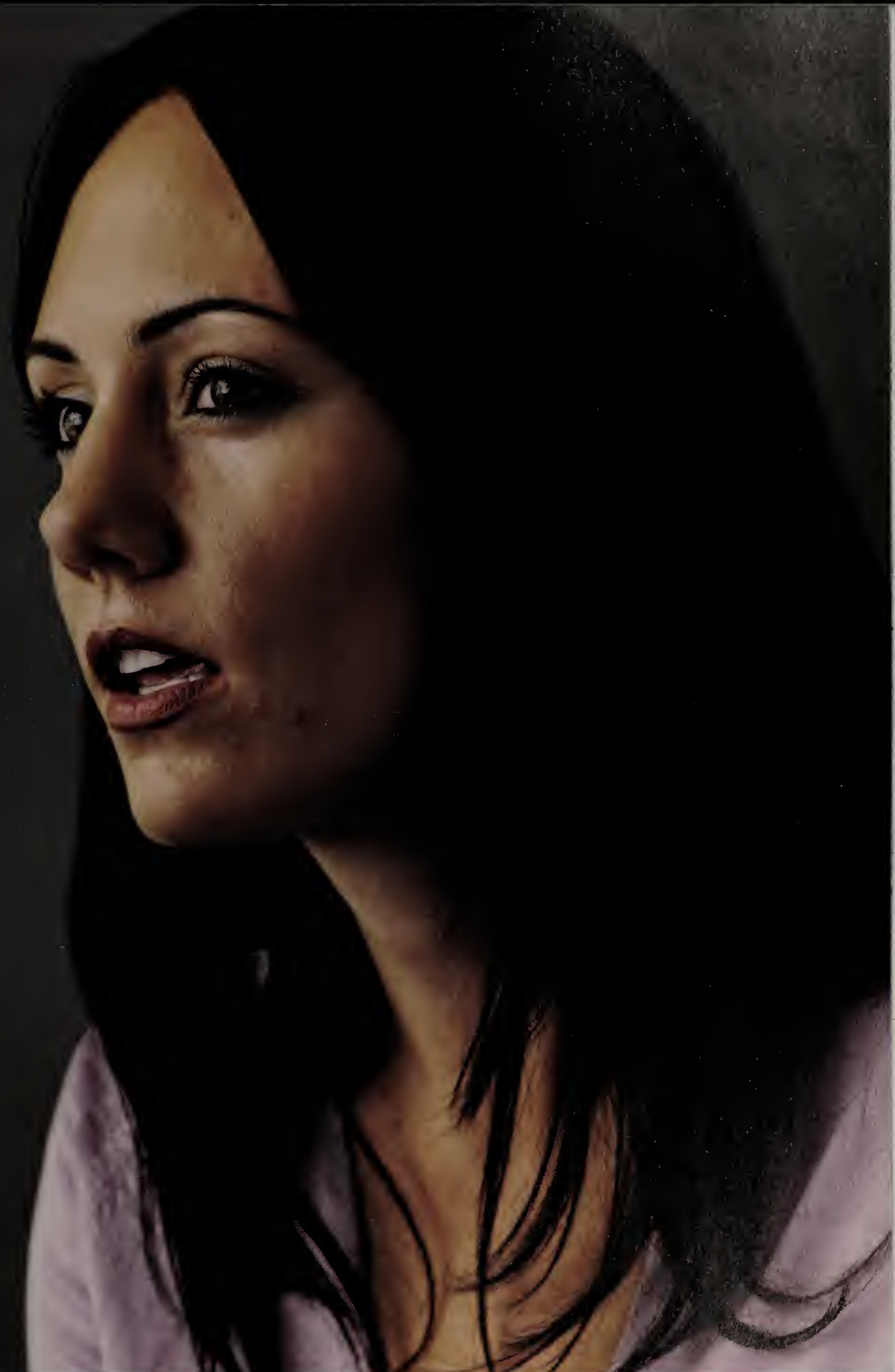
How hot is RSS? An estimated 6 million Americans subscribe to RSS news feeds, with more signing up daily. Its appeal is easy to understand: Subscribers use feeds to read what they want, when they want, on their very own desktops or mobile devices. Subscriptions are strictly voluntary and easy to cancel. Like TiVo, RSS is all about control, baby, and guess who's in charge?

"It's a customer revolution," says Royal Farros, cofounder of the now-defunct MessageCast, which was pur-

chased by Microsoft and used RSS feeds as part of the technology that forms the basis of the MSN Alert service. And the revolution just got a huge boost: Microsoft will make RSS part of its next Windows operating system in 2006. "That's what RSS is, and that's what a lot of people are missing," he says.

What's not being overlooked is the potential power of RSS to deliver relevant and

consumer."



targeted advertising directly to an interested consumer. So it's no surprise that pioneering marketers, large media buying agencies, publishers and established Internet companies are all avidly exploring this new channel.

Some publishers are generating their own news feeds as a way to promote their content and build site traffic. Other companies are using it as a PR tool. Several young marketing firms are gambling on the promise of RSS as a platform for third-party advertising (see "Feeding Frenzy," opposite page) that resembles the text ads made popular by Google. But the potential marketing value of news feeds doesn't stop there; RSS can also be used to distribute information on and links to coupons, special events and entertainment—think podcasts—directly to potential customers.

There's just one major problem: Some marketers haven't mastered the basic Web advertising model yet, let alone this emerging offshoot. RSS lacks standard performance metrics, and its audience is small compared with other forms of online advertising such as e-mail. There's no consensus on placement of ads within a feed. And many consumers remain intimidated by the technology. OK, make that a few problems.

Proponents say these disadvantages are temporary. Yes, the volume of users is relatively low, but it's growing rapidly. No, the metrics aren't as well-developed as for, say, e-mail marketing, but they will be eventually. "It's not like the main points of measurement are missing, like how many people click on your ad or how many sales you receive from it," says Cailin Pitcher, senior marketing manager for Citrix Online, which has used text ads in third-party RSS feeds to promote GoToMeeting, its online meeting product.

And unlike some online marketing tactics, "RSS is a no-risk proposition for consumers," notes Pitcher. Subscribers opt in. They aren't asked

for personal information such as an e-mail address. There is no spam. And they can turn off any subscription they dislike. "From that perspective, it's just a real clear channel straight to the consumer," she says.

Companies that offer RSS-related marketing say the time is right for their services. The competition for search engine keywords and the limited availability of keyword-based ads on popular websites have left some marketers frustrated. "People have pretty much swamped all the likely places," notes Scott Rafer, CEO of Feedster, an RSS search engine and advertising network. RSS feeds, he says, can offer new inventory to hungry advertisers and new income to worried publishers.

Why the worry? "RSS is stealing impressions," says Bill Flitter, founder and CMO of Pheedo, an RSS and blog marketing company. Many publishers hope that feeds will drive traffic to their sites, and that does happen. But the reverse is also true: For some sites, subscriptions to news feeds are growing while traffic to the actual website declines. RSS advertising offers a way for publishers to monetize their news feeds, and some are already experimenting with it. *The New York Times* recently inked a contract with Sun Microsystems to run banner ads for Sun's quarterly network computing webcast within the full text of articles whose headlines appear in *The NYT's* technology and business news feeds.

This is one reason many observers expect RSS ads to boom. As Farros explains, "RSS becomes a universal data trigger for all of this information. And relevant advertising becomes a way to pay for it all."

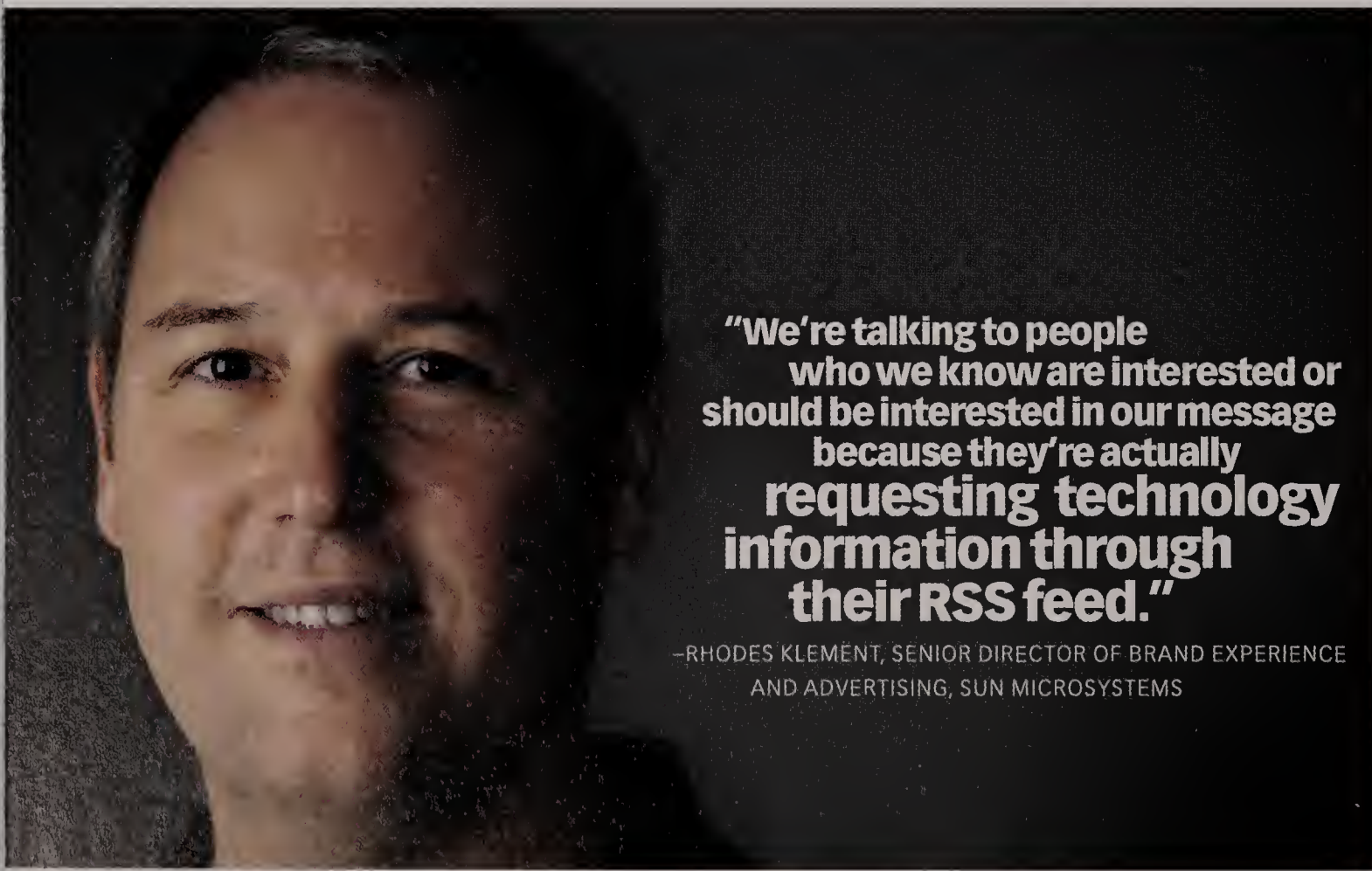
## Diving In

RSS may seem shiny, but it's not that new. Sometimes called rich site summary, this XML format was originally developed by Netscape in the late

1990s to share headlines and other Web content. RSS 2.0 is the most popular syndication format; Atom is a newer format that is also compatible with RSS.

RSS news feeds owe their popularity to the boom in blogs, which commonly use XML files. Blogging helped fuel development of news readers or aggregators (software used to subscribe to RSS feeds). News readers search feeds for newly published items, update themselves with fresh headlines or info, then sit patiently until a user decides to view the results. Readers make it possible to quickly view material from hundreds of websites without surfing for hours—a real advantage in a time-pressed world.

Because many consumers find RSS readers too complicated, today's users are early adopters,



**"We're talking to people who we know are interested or should be interested in our message because they're actually requesting technology information through their RSS feed."**

—RHODES KLEMENT, SENIOR DIRECTOR OF BRAND EXPERIENCE AND ADVERTISING, SUN MICROSYSTEMS

# Feeding Frenzy

**variety of companies** are involved in RSS-related advertising services. Here are a few.

**FeedBurner** manages RSS feeds for publishers and, as a function of that, it "can splice ads into feeds in very specific ways," says CEO Dick Costolo, who adds that his company can optimize ads for feeds going to mobile devices, for example. FeedBurner works with advertisers directly; it also partners with third parties such as Google and Kanoodle.

**Feedster** indexes millions of RSS feeds and calls itself a search engine and advertising network. "If what you want is bloggers who write in English, who mainly talk about mobile phones, who stay on topic at least...40 percent of the time, they're not overly hostile toward Nokia, and they barely ever use profanity, I can deliver that," says CEO Scott Rafer. "And I can deliver that across thousands of tiny micropublications that are targeted beautifully."

**Google** rolled out its AdSense for Feeds beta last May. The program is part of Google's overall AdSense program and places ads within news feeds using the same technology Google uses to place advertisements on websites.

**Kanoodle** has been inserting ads into RSS feeds for some 18 months, according to CMO Mark Josephson, who touts his company's proprietary approach to ad relevancy, yield and delivery. "We give our advertisers the ability to bid for buy, create separate listings, and optimize their listings separately for context buys versus behaviorally targeted buys versus search targeted buys," he says.

**Pheedo** serves both publishers and advertisers as an RSS and blog marketing company. "Marketers need to think about their strategy," says CMO Bill Flitter. "What's a consumer's habit at the RSS level, and how do I entice the readers of this content? I see a day when advertising departments are actually publishing information."

**Microsoft's** MSN Alerts service lets users sign up for real-time information alerts that can be viewed as instant messages, e-mails, mobile text messages or all three. The company has adapted MessageCast's technology so that future users can subscribe to RSS feeds via MSN Alerts. Microsoft hasn't announced any ad opportunities with MSN Alerts but they're not difficult to imagine as a possibility. Voluntary "branded experience advertising" was added to MSN Messenger software in April, and MSN's Spaces blog service supports ads as well. And with the plan to integrate RSS into Windows next year, can RSS advertising be far behind?

**Yahoo** tested RSS ads in news feeds last year and presumably plans to offer an advertising program to publishers but hasn't released details publicly.

—D.B.

among the most sophisticated technology geeks on the planet. That's not an appropriate audience for every marketer, but it is the perfect crowd for high-tech companies like Citrix Online and Sun Microsystems.

"We're talking to people who we know are interested or should be interested in our message because they're actually requesting technology information through their RSS feed," says Rhodes Klement, Sun's senior director of brand experience and advertising. "We are reaching people who are interested in technologies that we drive, and then we're inviting them to see something that's in a pretty high-tech, forward-thinking format."

Earlier this year, Sun added RSS to a campaign for its network computing (NC) launch event, an important quarterly platform for announcing new products, partnerships and directions. Sun webcasts each event and uses the NC homepage to build community, disseminate white papers and offer special deals. Starcom Worldwide works with Sun to develop and manage the NC campaigns, which include pre-event advertising to spur registration, day-of-event advertising to drive people to the live 90-minute webcast, and post-event advertising to bring people who've missed the live event back to access the archive.

Since Sun had never run an RSS campaign before, Starcom analyzed Feedster's advertising network to find the most appropriate blogs and news feeds for Sun's intended audience. That turned out to include subscribers to Slashdot's RSS feed. But how should the message be crafted?

People who use RSS technology "tend to value breaking news," notes Brandon Starkoff, Starcom's associate director. So RSS creative was delivered in a timely, "news flash" fashion as headline ads that urged readers to "watch now, live event" or "come chat with Sun executives."

The experiment paid off: Feedster ads were the second-highest traffic-driving paid media mechanism of the campaign, which also used banner ads on tech-related sites such as the Jupitermedia online network. The results were "amazing when you figure that this is the first time that we've tried it," says Klement. The RSS ads delivered more than 3 million impressions during the monthlong campaign. One-third of all the people who clicked through to the NC event page came via Feedster. The cost per click? "Roughly a third of what we were paying for other media opportunities," reports Klement, who says the opportunity-to-see cost "was driven well below a penny."

Citrix Online also found a receptive audience for its message through RSS. It worked with Pheedo, an RSS and blog marketing company, to run four ad campaigns over the past year promoting its online GoToMeeting service. For each six-week campaign, Citrix Online created a 50-word text ad and a tracking URL. Pheedo selected the news feeds best suited for advertising GoToMeeting, placed the ad and tracking URL in the feeds, and then waited. Citrix Online and Pheedo measured response rates based on the clicks. Pheedo then tweaked placement to improve results by removing ads from underperforming feeds. Citrix Online plans to add more RSS campaigns in the future, and no wonder—the RSS ads bested some of its banner ads on a cost-per-acquisition (CPA) basis.

The process for RSS campaigns "is similar to a search ad campaign where you can pay for certain terms and you know exactly how much return you're going to get on them," Pitcher says. "It has that level of control and immediate measurement advantage that allows us to decrease the cost-per-acquisition very rapidly."

# Tips for RSS Advertisers

**What's the best way** to approach RSS? Carefully, according to FeedBurner CEO Dick Costolo. Start by experimenting. "It's still walk-don't-run time," he says. Brandon Starkoff agrees. "RSS is not for everybody," says the Starcom Worldwide associate director. "We don't want to overhype the medium. We really want to do this in an artful way."

Be patient, counsels Citrix Online Senior Marketing Manager Cailin Pitcher. It's easy to get frustrated if your company has a sophisticated reporting system. RSS ad campaigns may not give you the info you want right away. Citrix Online had some early tracking glitches, for example, but "within two months we solved all the problems."

Great, well-targeted creative is crucial, says Kanoodle CMO Mark Josephson, but "I don't think that the marketing rules related to RSS are drastically different. You always want to know what you are paying, how many clicks you're getting, how many conversions you're getting, and if it gives you your ROI."

Some advertisers "are sticking an ad in after every item, even Google. That's annoying," says Pheedo CMO Bill Flitter. "And I'm an advertiser." Pheedo and Google have established differing best-practice guidelines for RSS advertising. Tell, not sell is Pheedo's motto, while Google encourages ad placement at the end of syndicated articles.

Finally, consider the value of news feeds for market research. "It's really valuable for reaching new customers," says Pitcher. —D.B.

The total cost of a campaign can vary widely, according to Pheedo's Flitter, who says campaigns can be based on either a flat-rate or cost-per-click model. Cost-per-click pricing for RSS ads may run between 50 cents to several dollars per click. In one campaign for Citrix Online, Pheedo identified the most effective feeds and within 10 days cut the CPA of the total campaign by close to half. That's far speedier than launching and fine-tuning a banner campaign, which might take up to six months.

## Getting It Right

With companies such as Sun and Citrix Online scoring early success in their RSS efforts, others are diving in. But for a format that calls itself simple, it isn't easy to master.

"It's probably more important than in any medium that we've seen so far to get the user experience right," says Shuman Ghosemajumder, business product manager for Google, which added RSS feeds to its AdSense program in May. "People can display the content in many different ways on their end. If you don't have the user experience right, then users are not going to support it."

Getting that right can be tricky. There are more than 1,000 news aggregators in which feeds can be viewed. There's no single standard for aggregator compatibility and, thus, no single standard for RSS advertising, although most marketers are testing text-only ads. As a result, an ad must be "all about the content of the message because you can't control how it is going to be displayed," says Dick Costolo, CEO of FeedBurner, which manages RSS feeds for publishers.

Along with content, the tone and approach of such ads are also critically important. RSS subscribers "are looking for newsworthy, data-relevant information, and the real strong promotional voice gets a bad reputation in this type of channel," says Pitcher.

That's putting it mildly. Each new development in online advertising has attracted vociferous critics who rail against the encroachment of marketing messages in formerly ad-free environments. RSS advertising is no exception. Eventually protests will evaporate—but not the ability for users to quickly cancel news feeds that contain ads they find annoying.

## Perfect Pitch

To be successful with an RSS campaign, marketers must do at least two things right: craft straightforward, pitch-perfect messages, then deliver them to the most appropriate audience.

The ability to identify that audience is the primary appeal of third-party advertising services, which use proprietary techniques to match ads to news feeds and thus to subscribers. RSS ad services typically allow marketers to target ads by subject or by keyword or some combination of the two. Targeting by subject is more useful than combinations of keywords, according to Klement. With keyword combinations, "you get a lot of things that aren't relevant. And the same thing happens when you're trying to associate ads with individual words."

There's also the question of where ads should be placed: after every third headline (in headline feeds) or below every other article (in full-text feeds)? Google and Pheedo have recommendations (see "Tips for RSS Advertisers," this page), but there's no defined answer, and the nature of the discussion worries Farros. RSS-based content is ripe for contextual advertising that complements a news feed, he says. But that demands a more thoughtful approach than simply cramming a bunch of ads into a feed.

"You can't say: Item one, the Dow is up. Item two, enjoy Coca-Cola," says Farros. Abuse RSS advertising, Pitcher warns, and "it will damage the channel for everybody else."

No one claims that RSS is a mainstream marketing channel or an all-around online ad vehicle. But it's only a matter of time, says Pitcher, before RSS-based marketing "can be picked up by any type of advertiser and work well and be justified on an ROI basis."

The real question is how long to wait. "This is a big trend in media overall," notes Klement. "People are taking charge of their media experiences. RSS feeds are just one way that people are doing that." And in the face of change, "either you find out how to leverage it and do great things or you resist it—and eventually it runs you over like a train." ●

Deborah Branscum is a freelancer based in Stockholm, Sweden. Send comments to [cmofeedback@cxo.com](mailto:cmofeedback@cxo.com).

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# Front End Align

If customer-facing employees can't deliver on a brand promise, your efforts are wasted. Here's how Wachovia used internal branding to invigorate its business.

**By Christopher Caggiano**

the

**"We would reinforce the brand message internally, and then employees would express it externally."** —JIM GARRITY, CMO, WACHOVIA



## **PPROACHING DOWNTOWN**

Charlotte, N.C., from the airport, one can't help noticing the Bank of America Stadium, home of the NFL's Carolina Panthers. Even on its home turf, Wachovia operates in the prominent shadow of its larger rival, a regular reminder of at least one alternative its customers have for their banking needs.

Forgive Wachovia's executive team, then, if they're inclined to break out in a collective sweat over the topic of customer defections. It was just six years ago when customer satisfaction at the bank—then called First Union—hit rock-bottom. Customer attrition rates reached 20 percent in the first quarter of 1999. Not only were customers switching at record rates but employees were also running for the exits. Turnover among bank tellers hit a high of 49 percent in 1999.

The merger with Wachovia was still two years away, but the company was already feeling the pain of a succession of corporate marriages. The 2001 Wachovia acquisition (in which First Union wisely adopted the name of its smaller acquirer) only increased the pressure to ruthlessly and rapidly cut costs. "We were trying to get expenses out of the operations quickly to make the deal profitable," says Jim Garrity, who was First Union's CMO before assuming the same role at Wachovia post-merger.

Fanning the flames was the company's historical obsession with selling, to the near exclusion of everything else. "We were watching the front door to capture new customers, but we were hemorrhaging customers out the back door because of inattention," says Ken Thompson, Wachovia's CEO (and First Union's former president). "You can't sell enough product to make up for the revenue lost from customer attrition."

With a looming crisis on their hands, Thompson and his new management team made a bold play to reverse the company's customer attrition rate—from the inside out. They committed \$100 million toward increasing frontline staff and pledged additional resources to training and developing branch employees, who would become the fulcrum for the bank's customer-service makeover. And they did so largely without a net. "We didn't do an ROI [calculation] on that spending; it was a leap of faith," says Thompson. "But we knew it was required for the survival of our company."

The funny thing is, it worked.

### **Inside-Out Branding**

Internal branding is designed to instill employees with a company's brand vision and provide them with the tools to translate that vision to the customer. Garrity had been reading up on the trend at the time of the First Union-Wachovia merger, and he realized that First Union, in part because of its many acquisitions, had fallen well short on this front.

"Previously, if you had asked any First Union or Wachovia employee what our brand was about, you probably would have heard some vague idea about the logo or our advertising," says Garrity. Making over the customer experience, then, would first require buy-in of the

strategic brand vision by all Wachovia employees. "We would reinforce the brand message internally, and then [employees] would express it externally," he says.

To help determine what the new vision, values and resulting brand image would be—and to gain a better understanding of the culture of both companies—the management team commissioned an online culture survey in the summer of 2001 for legacy Wachovia and First Union employees. About half of the approximately 90,000 staffers responded, answering questions about what they liked and didn't like about their respective institutions and the values that they wanted the culture of the merged company to exemplify. The survey signaled that all employees would have a say in shaping the attitudes and behaviors that defined the new Wachovia brand. "That made the values real for employees," says Thompson. "These are things that we talk about daily and use to make decisions."

Thompson admits that he used to roll his eyes when people would talk about abstract concepts such as culture. "That was something that academics wanted you to have, but what did it have to do with running a financial services company?" he says. He's since come around to the benefit of clearly identifying and communicating a common objective to two merging companies. "If employees don't understand the new company's vision, you won't have any chance of achieving it," he says.

The internal communication was just the beginning of Wachovia's customer service makeover. The frontline staff had to take the new vision and make it concrete for customers in the branches and the call center. That required a major investment in staffing and training. Despite the pressing need to cut costs, Thompson gulped hard and pledged \$100 million to beef up the company's teller staff.

"In difficult times, we had tightened our belts and cut staff in a lot of different areas," says Gwynne Whitley, Wachovia's executive vice president and director of customer service excellence. "But we realized that we could not have the appropriate satisfaction levels without adding that staff back." The \$100 million translated into approximately one additional teller per branch. "That's probably paid back almost six times the expense in terms of the increased revenue," she says.

With the additional staffing and newly defined brand image, vision and values in hand, the management team set about embedding the message across the company. "For every line of business, we went in and said, How do we operationalize our brand attributes?" says Whitley. A team of senior executives and man-



**"Defining the behaviors is a powerful part of the system. We needed to define what makes customer satisfaction practicable."**

—GWYNNE WHITLEY, EXECUTIVE VP AND DIRECTOR OF CUSTOMER SERVICE EXCELLENCE

agers representing front- and back-office areas—dubbed the SWAT Team—created a series of "I will" statements (see "Words to Live By", this page). Each employee receives a wallet card listing the company's values, brand promise and the "I will" statements.

The critical next step was to translate those attitudes into specific actions, and then reinforce those actions with a formal training and coaching process. "Defining the behaviors is a really powerful part of the system," says Whitley. "We needed to define what makes customer satisfaction practicable."

For example, if customer surveys indicate that employees in a particular branch aren't being affable, "you can't just go to the front line and say they need to be more friendly," says Maggie Norris, Wachovia's wholesale customer experience director. "You need to break it down into specific behaviors."

Some of these efforts may sound rudimentary, but surprisingly, few companies get it right. Also, Wachovia's frontline staff had traditionally focused almost exclusively on selling to customers, not servicing them. Sometimes, as Wachovia discovered, it's best to back up and address the fundamentals.

The company implemented training modules on effectively communicating with customers. For example, what do you say to a customer who bristles at being asked for identification? Instead of, "Our procedure manual says..."—a depersonalizing, potentially alienating statement—employees are taught to use a more humanizing statement such as, "We just want to prevent any fraud on your account." Training also addresses how to diffuse an angry customer. "We practice soft skills, such as listening and being attentive," says Norris. "Rather than saying something like, 'I can't do that,' we instead ask the customer, 'What can I do to make you happy?'"

To support the formal training, managers also engage in coaching sessions to help employees with their customer interactions, working with

them on the specific behaviors that drive the attitudes: greeting customers with enthusiasm, for example, or making eye contact. Regular critiques enable employees to comment on their own performances and give managers an opportunity for further coaching.

Norris and Kelly McSwain-Campbell, senior vice president and director of customer satisfaction research, also worked with human resources to make employees' service goals part of their incentive structures. In the wholesale division, incentive payouts are tied to a team-level score; in retail, they're based on scores for the financial center in which that employee works. McSwain-Campbell says that such incentives foster teamwork. And it's a far cry from previous sales-laden incentive plans.

Employees can track their own progress through individual scorecards

## Words to Live (or at least work) By

Wachovia's brand values remind employees that the key to good customer service is translating brand attitudes into employee actions. Here's a sampling of attitudes and attendant behaviors that the bank promotes.

### **"I appreciate your business."**

Greet the client with enthusiasm. Use the client's name.

### **"I will devote my full attention to your needs."**

Focus on the client. Stop other activities. Listen, and ask clarifying questions.

### **"I will take ownership of your needs."**

Transfer the client no more than once; the first transfer will own the issue.

### **"I will be knowledgeable and professional."**

Provide the client with insight and information to help him achieve his goals.

### **"I will be responsive to your questions and requests."**

Fulfill commitments in a timely fashion. Recognize that the client's time is valuable.



**"You can't just go to the front line and say they need to be more friendly. You need to break it down into specific behaviors."**

—MAGGIE NORRIS, WHOLESALE CUSTOMER EXPERIENCE DIRECTOR

built into Wachovia's CRM system. The scorecards include metrics on financial performance and customer acquisition as well as individual or team performance on customer service and turnover. "It's like a dashboard, with all your metrics right in front of you," says Norris.

This is the first year that a customer satisfaction component has been included in the wholesale group's incentive plans, and Norris has already noticed a difference in employees' interest in the system. "When you start affecting people's pay, they start asking a lot more questions," she says.

The programs have helped Wachovia take a big bite out of its turnover rate at the front lines. Annual teller turnover, which had reached nearly 50 percent in 1999, has dropped to less than 30 percent for the past two years, slightly better than the industry average. The company has seen similar improvements in turnover rates for its call center, online and wholesale division staffs.

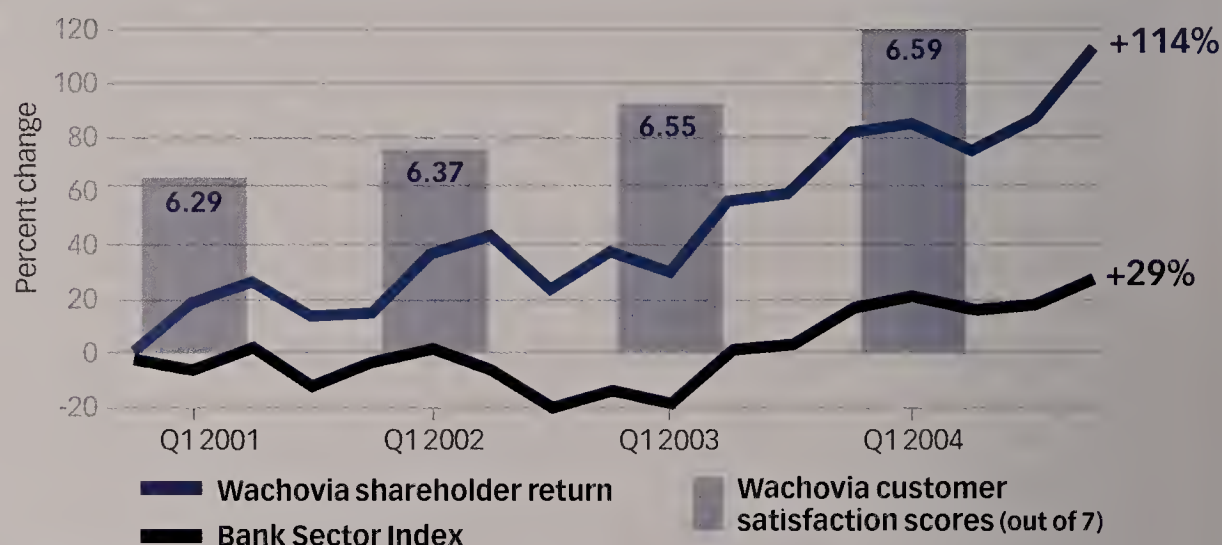
## Evolution

As Thompson and Garrity had predicted, the company's frontline efforts are having the desired effects: As turnover has decreased, customer satisfaction has been ticking upward. The company's customer satisfaction ratings, measured using a combination of internal elements and external elements such as the University of Michigan Customer Satisfaction Index, jumped half a percentage point from the first quarter of 1999 to the same period in 2000 and have continued to increase steadily (see chart, this page). Customer attrition rates, meanwhile, have fallen from 20 percent to 11 percent.

With attrition decreasing, Wachovia's team has shifted its emphasis from increasing satisfaction to building a deeper level of customer loyalty. "A customer can be satisfied today, yet leave you tomorrow," says McSwain-Campbell. "Loyal customers give you a break if a problem occurs, and they hang in there with you in the not-so-good times."

Attaining that higher-order goal means refining the measurement and coaching processes to reflect more complex behaviors. "We're measuring attributes that

## Wachovia shareholder return reflects improved customer satisfaction



SOURCES: WACHOVIA, BANK SECTOR INDEX

have a higher correlation to loyalty," says Norris. Surveys now ask, for example, if customers are receiving "unmatched service and advice," which is challenging to translate into employee behaviors. And Norris admits that "it's something we're still working on."

The management team is also extending its customer service education process to back-office personnel. Although support and operations staff may not have direct customer contact, their work indirectly affects customer satisfaction. "We've learned on the wholesale side that we can't ignore the credit department," says Norris, "because often that's how we begin the relationship with a business customer. We need to have the credit folks, the products team and the operational groups engaged in the program too."

The crisis that Wachovia faced in 1999 seems to have passed. Its stock has increased an average 21.5 percent annually since 2001. Net income has risen from \$1.6 billion in 2001 to \$5.2 billion in 2004, and it has beaten the Bank Sector Index three out of the past four years. The company's focus now is on instituting a continuous process for improvement.

"The challenge is, how do we link multiple channels together to ensure there's consistency, whether customers are online, interacting with the call center or visiting a branch in person?" says Norris. "We're just beginning to ask those questions."

For Thompson, the turnaround was a lesson in the value of both employee and customer loyalty. "Now we understand that shareholder value derives from having high employee engagement and outstanding customer service," he says. "When you do those things right, shareholder return will follow." ●

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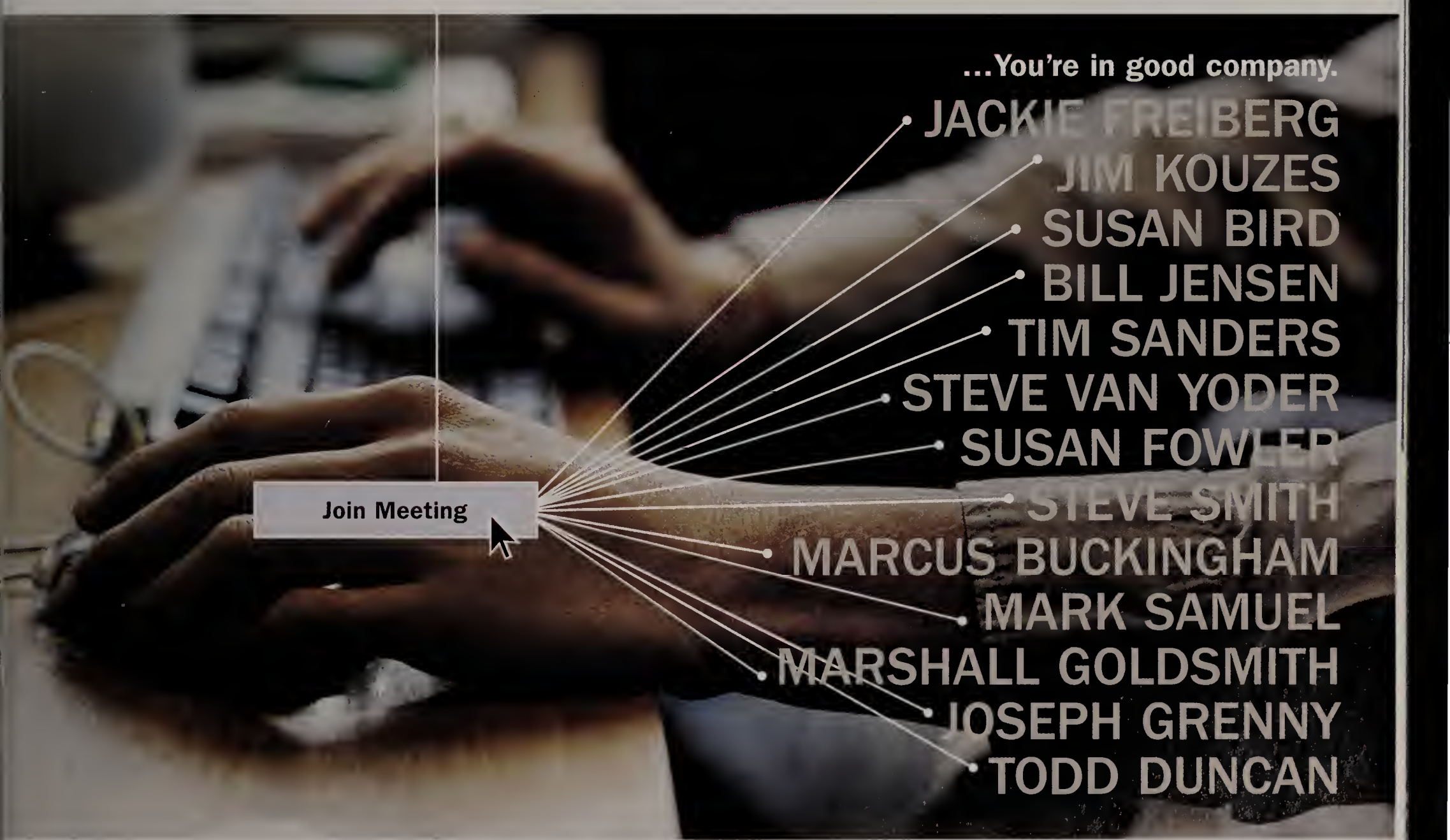
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## Most Valuable Players

To make smarter investments, CMOs must develop a deeper understanding of the drivers—and destroyers—of customer value

BY DAVID REIBSTEIN

**M**OST MARKETERS HAVE COME TO ACCEPT that their interactions with consumers come primarily from behind focus-group mirrors. Ironically, marketing has traditionally been the function that sits the furthest from the customer. Rarely do marketers have direct access to the people who purchase their company's products or services.

The CMO of the future can't accept this distance.

A lack of direct interaction with customers inhibits marketing executives from considering investments outside their traditional communications domain. Take customer service, for example. While most marketers certainly use customer satisfaction surveys as a way to measure customer service (72 percent of respondents to CMO's June RealityCheck survey

said they track customer satisfaction metrics), few take the extra step to measure how customer satisfaction relates to financial results. In other words, few really understand what an additional point of customer satisfaction is worth.

Customer service metrics must go beyond simple satisfaction in order to measure customer *value*. Understanding satisfaction without understanding value leaves you with an incomplete equation.

While increasing satisfaction can be a very ethereal concept for senior management to embrace, increasing value is grounded in economic reality. This reality ultimately can help the CMO put investments in customer satisfaction on the same level as more traditional—and measurable—marketing communications activities.

The information that you need in order to develop an understanding of your customers' value may already exist. But it's often overlooked, particularly in two places that are rich with customer interaction data: the call center and the company website.

### We're Here to (Self-)Serve You

Retail banking, for example, doesn't really occur inside a branch any longer. Many branch interactions have been replaced by ATMs, call centers and online banking. Need to transfer funds? Do it online or at your ATM. Need to order checks? Use the call center's voice response unit (VRU) and follow the prompts. Slowly but inexorably, banks and other businesses have learned that the best they can offer in customer service is often self-service. (When was the last time you *didn't* pay at the pump?)

Retail banks capture all their self-service customer interactions in the kind of databases that any enterprising marketer can access. This information, in effect, is a customer service nervous system that you can use to evaluate where and how investments to improve service and satisfaction (while increasing customer value) might earn a significant financial return.

Here's an interesting example from one of the nation's largest financial services companies, which has made significant investments in how it sets up and supports new customers. (Bear with me because, despite what many marketers think, it's this seem-

ingly mundane detail of setting up customers in "the system" that can have more impact on loyalty and profitability than a lifetime of glossy brochures.)

### PIN Cushion

At this bank, new customers are faced with filling out many forms; we all know the drill. Some of these forms are for the basics: making sure the bank has the correct address, ensuring that accounts link to each other as desired, choosing the proper menu of services and the like.

In the mix of required information, new customers also find a series of forms related to how they will interact with the bank. Security policies at the bank require new customers to furnish three numbers in order to access their account information over the phone or via the Web: their account number, their Social Security number and a temporary personal identification number (PIN), which is supplied by the bank.

Customers must use the temporary PIN the first time they access their account by phone or online. During that first interaction, the customer is prompted to choose his permanent PIN to use thereafter.

Sounds straightforward enough. The problem is that the temporary PIN assigned by the bank is a random number. Customers often forget or misplace the PIN, and as a result, they fail in their initial attempts to access their accounts or conduct any other transaction with the bank by phone or online.

### Failure to Communicate

It might not sound like a big deal, but the impact on profitability has been significant. Approximately half of all new customers are unable to interact with the bank electronically. The extra step the customers need to take to complete the transaction—a conversation with a customer service rep (usually after an exasperating, several-minute queue)—has reduced bank profits by \$2 million per year.

And this is just for one simple call. Remember that banks pay several dollars for every nonelectronic customer interaction (compared to approximately 50 cents for a self-service, electronic transaction). When banks provide free checking, free electronic banking, free ATM usage and many other gratis

services, it's easy to see how just a few additional call center interactions with support personnel can quickly make a customer unprofitable. In this example, the unprofitable customers are also dissatisfied with their experience, because they can't access their accounts easily.

Every experience is an education. When customers fail at their initial attempts to interact with the bank electronically, they tend to rely more heavily on the call center for their future interactions. In other words, the bank has essentially been train-

The lesson here? By investing in understanding how and where customer value is created or destroyed, with a focus on targeted customer segments, chief marketing officers can identify potential improvements and changes that can—and should—be made to the ways a company interacts with its customers. It doesn't matter whether that interaction takes place in person, on the website or over the phone.

The best place to start is with the information already available to you. Accessing and

**The information that you need to develop an understanding of your customers' value may already exist. But it's often overlooked, particularly in two places that are rich with customer interaction data: the call center and the company website.**

ing its customers to be unprofitable. Its systems and processes have reduced the value of new customers.

### Conflicting Agendas

The root of the problem in this case was discovered during an analysis of the bank's millions of VRU interactions using customer-behavior intelligence software developed by ClickFox. These problems could only be identified when the data from customer interactions was closely analyzed and compared against the system structure, which reflects the assumptions of what will and won't work for customers.

In this case, the bank's marketing, customer service and security functions have had conflicting agendas, to the detriment of the customer's experience and, ultimately, the bank's profitability.

The bank is still considering its options for addressing the problem. The fix itself may be relatively simple—allowing customers to select their own temporary PINs, for example—but the challenge lies in reaching consensus among the bank's different functions.

analyzing the data inside your Web servers and your call center's VRU can help you map out the sources of customer value. From there, you can promote the behavior that builds value or eliminate current barriers to value.

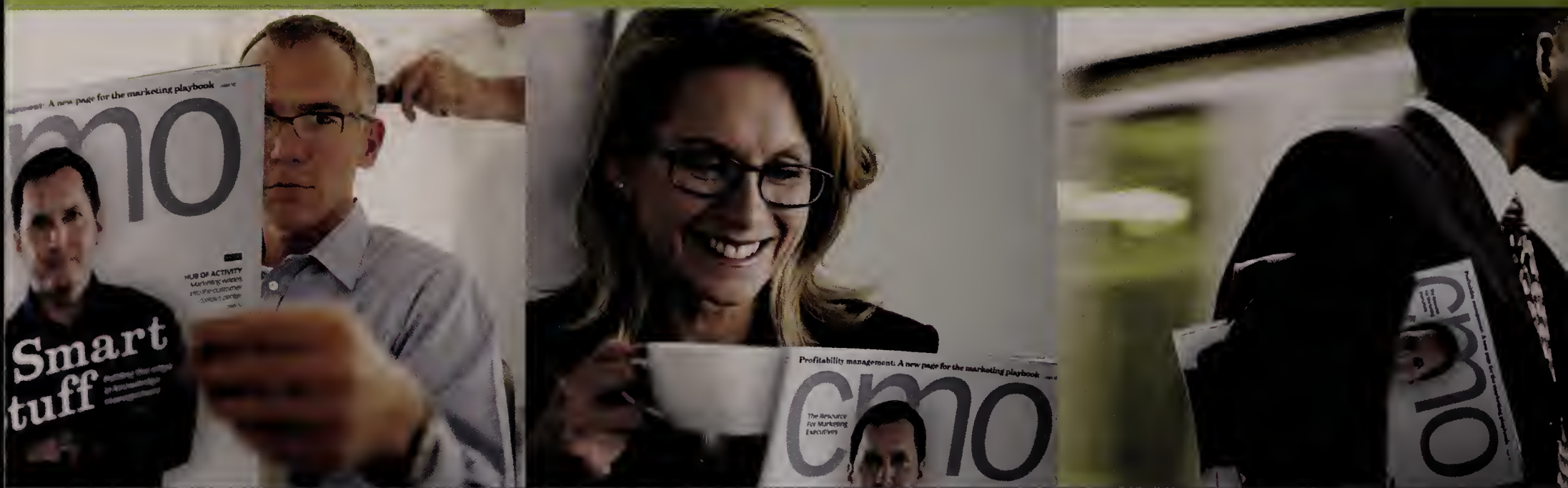
Sometimes, it can be as simple as changing how a customer creates a new PIN.

Deeper insights into the drivers of customer value can help CMOs connect softer marketing metrics, such as customer satisfaction, to real financial outcomes. That, in turn, will help them adequately consider the right mix of marketing investments to bring to senior management.

There's something to be said for getting closer to customers and developing a better understanding of their interactions with your company. It's time for CMOs to step out from behind the mirrors and into the center of the action. ●

David Reibstein is a managing director with CMO Partners and the William S. Woodside professor and professor of marketing at the University of Pennsylvania's Wharton School. Send comments to [cmofeedback@cxo.com](mailto:cmofeedback@cxo.com).

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## Face Off

Why advertising and PR can't—and shouldn't—get along

BY ANONYMOUS

**W**E ALL KNOW WHAT the oldest profession is. But you'll hear endless arguments as to what came second. Some suggest it was advertising, while others are sure it was public relations.

So close, the two of them. So close, and yet so far apart. What they set out to do is not all that different, so you might think that by now, the people in advertising and PR would have developed a level of mutual respect and trust.

Fat chance, I say. Neither group will ever find a way to make peace with the other. Why, in just the last few weeks, I've been at several meetings with my advertising and PR buddies and was simply amazed at their inability to work together. While it's sometimes easy to blame such differences on personality conflicts, I'm convinced that there is something inherently incompatible about the two disciplines. Maybe it's time we paid attention to the disconnect and tried to do something about it.

It may seem like heresy in some circles, but I see advertising and public relations as, well, the same but different. It's not a popular view, but it's one I believe should be considered carefully in this fast-paced (and overly fragmented) world.

I should say at the outset that—as is typically the case in every industry—the leaders in these respective fields are as good as it gets. They are superb communicators and immensely persuasive. In the last century, PR mostly tried to influence newspaper coverage and daily theatrical promotions. Edward Bernays became the father of modern PR when he designed a structured publicity campaign for Diaghilev's Ballets Russes American tour in 1915, and he worked his magic with many leading brands, including General Motors and Procter & Gamble. Advertising didn't have one father. (Why is that not a surprise?) John Powers was regarded as the first copywriter superstar in 1880, when he was hired by John Wanamaker, and was later recognized as “the father of honest advertising.” J. Walter Thompson brought

us the account executive in 1885. And Ernest Elmo Calkins introduced us to the role of art direction in 1895. (You have to wonder what fun the clients, copywriters and account executives had without art directors for 10 years!)

The luminaries of the world of PR and advertising had a lot in common. They were supreme salesmen in an era of mass marketing, who skillfully crafted messages—by whatever means necessary—to influence behavior and ultimately sell products. This was the era of true marketing partnerships. Both PR and advertising people sat together in the big meetings with their clients, where they solved problems, grew business and built long-term relationships. Both of these marketing disciplines were getting clear direction from one source and using whatever tools they had available to solve the same problem.

A lot has changed since then. Yes, business has become increasingly complex. Organizations are more bureaucratic. People move faster. Consumers have more choices and more power. Don't those argue for an even more concerted effort to simplify and improve internal and external communications? Unfortunately, for many companies, exactly the opposite is happening.

I see only more turf wars between PR and advertising inside many companies as people jockey for positions and budgets. PR falls into two broad areas, corporate and product, which are very different animals and need to be treated differently. As a subset of marketing, advertising reports to the CMO. But typically PR does not.

In my brave new world, I'm advocating splitting the PR function, with specialists in corporate PR and product PR. The product people should report to marketing. What I'm suggesting is controversial and uncomfortable to many CMOs and CEOs, but the idea has taken hold with great success in several small and midsize companies. I think it's now time for other companies, particularly those with huge budgets, to embrace this idea. Take a fresh look at our new reality, and let the controversy commence. ●

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## TOOLS

MEASURE TWICE,  
CUT ONCE



Tektronix's Martyn Etherington can point to tangible results from the company's marketing dashboard, including an increase in qualified leads.

### BEST PRACTICE

## Dialing Up Performance

Tektronix moves the needle by building its own marketing dashboard

**Dashboards** are quickly becoming indispensable desktop tools for marketing executives who want quick access to current information about how their company or department is performing, based on measurements such as sales or customer retention.

Although many organizations rely on commercial software for their dashboard, others are developing applications internally. Tektronix, a provider of test, measurement and monitoring instruments, went with the latter choice—and the strategy is proving successful.

The development of Tektronix's dashboard began with its marketing organization's transformation about three years ago. In the wake of a slowing market, the organization—which was spread across geographic regions, channels and product lines and lacked uniform metrics for measuring performance—became centralized.

Martyn Etherington, Tektronix's vice president of worldwide marketing, envisioned a dashboard that would measure the efficiency and effectiveness of the new marketing organization. "We started with the premise that we will measure everything we do and hold ourselves accountable" for continued improvements, Etherington says.

The company formed a dashboard project team that met with people from sales and product lines and an executive group to discuss what each needed from the marketing organization. Detailed metrics, such as the number of sales leads, costs per lead and return on investment for marketing expenditures, were created.

After refining the metrics and determining what marketing would need to do to achieve the goals, the project team—with help

from IT— unveiled a beta version of the dashboard in January 2003. The tool was based on Microsoft Excel spreadsheets with plug-ins to create HTML presentations of charts and graphs.

Tektronix then spent six months checking data integrity before releasing the first version of the dashboard. An enhanced version was introduced a year later. Dashboard data, which is updated monthly, now includes four broad categories of metrics: promotional mix and profile analysis, efficiency and productivity, effectiveness, and qualification. A fifth category, marketing ROI, will be added in the future. Data is presented in different views for various audiences.

Tektronix, which received IDC's CMO Best Practices Award for Marketing Dashboard Development in March, has seen significant improvements since implementing the dashboard. These include a 125percent productivity gain based on the number of responses to marketing programs, a 90 percent increase in the number of qualified leads, nearly a 70 percent decrease in the cost of leads and a 25 percent improvement in the rate of conversion of leads into opportunities.

Etherington expects to see more improvements. "I don't want to paint a picture that we've cured all our ailments; if we consider marketing metrics in a continuum we're probably halfway up the continuum," he says. He says the dashboard will eventually include measurements such as customer satisfaction and loyalty.

Mike Riley, research director of Riley Research Associates, says more marketing organizations will adopt dashboards for fast access to current data to see if they're meeting performance goals and to respond more quickly to marketplace changes.

Among the most significant challenges to dashboard implementation, Riley says, is getting access to needed data. "A lot of companies don't have the critical data available for dashboards," he says. "They have to investigate their internal IT systems to see what it takes to get up to speed to integrate data into a dashboard."

—Bob Violino

## BRANDING

# Speaking the Same Language

Software helps maintain brand consistency across a world of websites

**Disjointed.** That's the word Ciena's Tom Berger uses to characterize the networking company's websites in France, Germany, Japan, Portugal and Spain, which it shut down in 2003. "Content was stale, and no one was talking to anyone else," explains Berger, Ciena's Web marketing director.

For multinational companies, maintaining brand consistency on the Internet is "a pervasive problem," says Kyle McNabb, a senior analyst at Forrester. Many shelved the concern during the economic downturn, he says. Now, in an improved business climate, the issue has popped up again on marketers' radar.

Translation? A renewed interest in Web content management software, which allows users to create page templates to ensure that localized sites hew to the look and feel of the brand. Page navigation, images and colors are fixed. But staff can tweak those templates in limited ways to make a site more relevant to a local audience.

Ciena went global again with its website as part of a corporate rebranding last fall. To help launch a new Japanese website in December, it employed RedDot's Content Management System. For Berger, the software solves some of the hurdles that led the company to turn off its foreign sites.

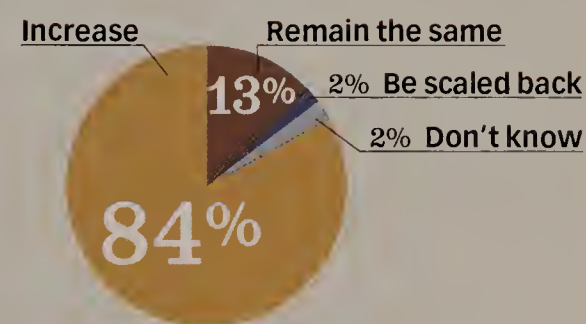
"RedDot allows us to control authorizations of every element on a given page. Major site changes are not made by authors or translators," he says. Using the same technology, Ciena plans to roll out microsites in other countries to promote particular services and products.

The software also eliminates the need for regional Web management teams with HTML expertise. Ciena now has one employee in the

## ON THE RISE

Companies plan to expand deployment of Web content management software during the next year, with many expressing a desire to improve customer experience.

During the next 12 months, how will your deployment or usage of Web content management change?



What is the primary driver for increased deployments or usage of Web content management?



Note: Percentages may not total 100% due to rounding.

SOURCE: FORRESTER RESEARCH

Japan office responsible for translating changes and updates to the website. And a smaller, more efficient local team means a smaller budget.

"The software has a tangible impact on being able to streamline processes and reduce costs," McNabb says. Pricing for RedDot's system begins at about \$55,000.

—Samar Farah

## Name Game

Does your company or product need a new moniker? You could see what the Ouija board dishes up. Or you could try these four strategies.

**Descriptive:** Create a name that describes your company's business.  
*PictureTel, International Business Machines (IBM)*

**Suggestive:** Devise one that suggests properties linked to your product.  
*Intel—intelligence; Lucent—lucid and capable*

**Founder:** Refer to the original founder(s) of your company.  
*Dell, Hewlett-Packard*

**Figurative:** Try something that sounds appealing even if it has no immediate relevance.  
*Yahoo, Gateway*

SOURCE: PARTNERS & SIMONS

## HOT JOBS

Rev up those résumés: Chief marketing officers say some of the top skills for which they will hire during the next 12 months include sales, creative/graphic design, data analysis and product management.



Note: Because respondents could select more than one answer, percentages do not add up to 100%.

SOURCE: CMO REALITYCHECK SURVEY, Q2 2005

### RESUME

## CUSTOMER LOYALTY

# Smart Carts

Stop & Shop bags repeat business with wireless computer

If you're a shopaholic, chances are your addiction has nothing to do with groceries. Let's face it: Most shoppers want to check in and out of the supermarket as quickly as possible.

To satisfy that need and woo customers, Stop & Shop is introducing the Shopping Buddy. A wireless computer with a touch screen for ordering deli items and a laser scanner for self-checkout, it fits onto a standard shopping cart and is activated by Stop & Shop's loyalty card.

"The typical customer wants to find what they are looking for, get things on sale and get out of the store quickly," says Peg Merzbacher, director of marketing for Peapod, the Internet grocery company that helped implement the system and partners with supermarket chains Stop & Shop and Giant. (All three companies are subsidiaries of Dutch company Royal Ahold.)

Need to know where the capers are? Type the word into Shopping Buddy's search function and its GPS locator pinpoints your position in relation to the capers. The smart cart also speeds shopping by displaying the items a customer often buys in each aisle and highlighting those that are on sale. It can price-check scanned items and keep a running total. Customers can scan and bag as they go and then check out quickly at the self-scan registers.

For Stop & Shop, the Shopping Buddy promises to drive sales by targeting shoppers in-store with relevant coupons and specials. Early results are promising. "There's been an incremental increase in sales because people don't forget things [they want to buy]," says Merzbacher. "And, by validating prices as they

shop, customers find items on sale."

The system's convenience is also helping to build repeat business. The typical Shopping Buddy customer is someone who will usually spend more than \$75 per trip, according to Merzbacher. Stop & Shop will roll out the system to 20 locations by the end of 2005.

Shopping Buddy consists of hardware from IBM and application software from Cuesol. Maximizing the benefits of the system is more of a marketing issue than a technical one, says Dan Hopping, a retail executive consultant at IBM's retail store solutions division. "The technology is the easy part," Hopping says. "It's much harder to come up with features that can answer a marketer's biggest question: 'What would make the consumer go by two stores and stop at the third?'"

—Megan Santosus

## NUMBER CRUNCH

# 84%

Heavy Internet users who said their computers have been infected with spyware in the past year. Forty-two percent had "no idea" how the programs landed on their machines.

SOURCE: PONEMON INSTITUTE AND UNISYS, "2005 SPYWARE STUDY"

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## what

## is DATA MINING?



**EVERY INTERACTION** your company has with a customer or supplier likely generates a data trail—and that data provides a wealth of information for marketers. Extracting that information and getting it into usable shape, however, requires sophisticated data mining tools. The same technology that police departments use to identify patterns in crime data and to deploy officers accordingly can help CMOs uncover customer trends and better focus their marketing resources.

### How does data mining work?

Data mining is a subset of business intelligence, which covers a broad range of analytics technologies. Often used for predictive modeling, data mining tools can also help organizations better understand relationships among variables. One core software tool is online analytical processing (OLAP), which extracts, structures and stores warehoused data to enable quick, multidimensional analysis. A dimension can be any variable your company tracks: customer locations, sales volumes, product development costs

and so on. An OLAP data set is made up of dimensions and measures, which can then be used for queries to elicit detailed data breakdowns and information on associations among variables. For example, a grill manufacturer could use an OLAP query to correlate grill sales with weather conditions across various locations, to determine how heat waves affect its business in different regions.

### Who is likely to benefit from this tool?

Consumer-focused companies with sizable caches of information on current and potential customers, such as retailers, are ideal candidates for data mining technology. Wal-Mart, for example, is famed for its use of data mining to analyze “market baskets,” the combinations of items consumers group together in one purchase. Pharmaceutical makers rely heavily on data mining technology to track their drugs’ effects, while financial companies use it for identifying new customer opportunities.

### What’s in it for marketers?

Data mining tools can help target new markets and craft more attractive pitches to upsell current customers. For instance, outdoor gear retailer REI uses data mining software to parse the extensive customer data it collects through its website, direct mailings and 78 retail stores. When REI considers new store locations, it examines order data to find places with high concentrations of customers buying online and through the company’s catalogs, according to Alison Polenz, director of customer research.

The company also uses data mining tools to tailor its stores’ product mixes to local market preferences and to uncover patterns that suggest future purchases by customers. “We know people are involved in lots of different activities, even though they might not have bought all the gear at REI,” Polenz says. “So we’ll send our cycling catalog to someone who might not have bought cycling equipment but who probably is

interested in cycling, based on their other activities associated with cycling.” Camping is one such tip-off, she says.

### Who are some vendors of this software?

Major players include SAS, SPSS, IBM, Computer Associates and Fair Isaac, with dozens of smaller specialist companies also competing for new business. Enterprise applications companies are eager to crack the market as well. They figure that since they’re already making the front-end systems their customers use for working with corporate data, they might as well capture the back-end market for tools to mine that data.

### Can you get started without a huge investment?

Yes. Upstarts like Apollo Data Technologies and Marketics are carving out a niche delivering analytics as a service, working together with clients on specific marketing problems. Such an approach may be useful for test-driving data mining technology on a specific project and measuring how well the investment pays off. However, cleaning data so that mining tools can uncover useful information from it can be a complex and expensive endeavor. Still, what is the cost of cleaning data when compared against critical customer insight to make a new campaign or store location succeed? In a word: priceless.

—Stacy Cowley

### NUMBER CRUNCH

# 53

**Bills introduced by 29 states to combat spyware programs as of June; others are expected to follow. Similar measures are also making their way through Congress.**

SOURCE: INTERNET ALLIANCE

# Are you using the right webcast tool?

Not all webcast platforms are optimized for marketing communications.

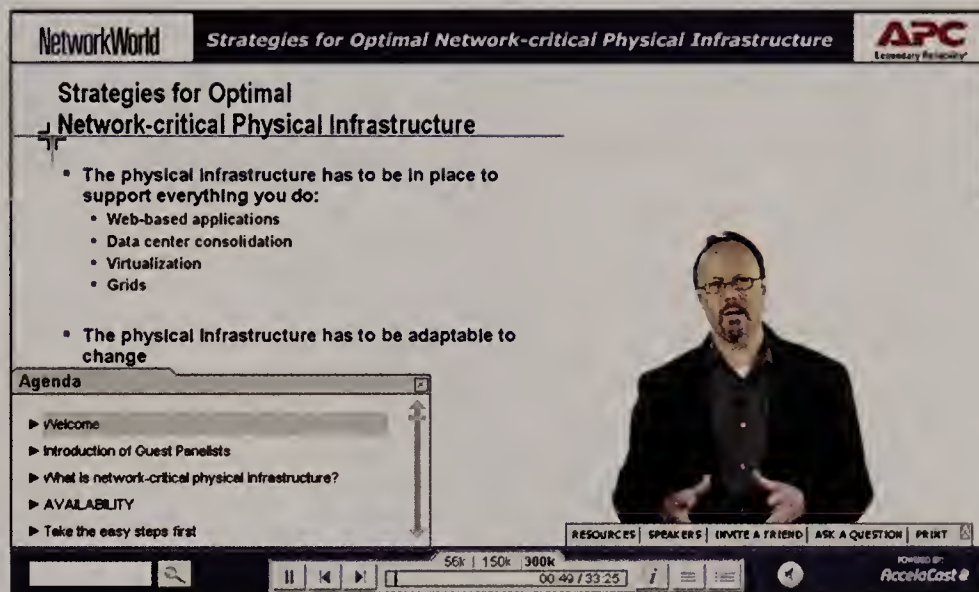
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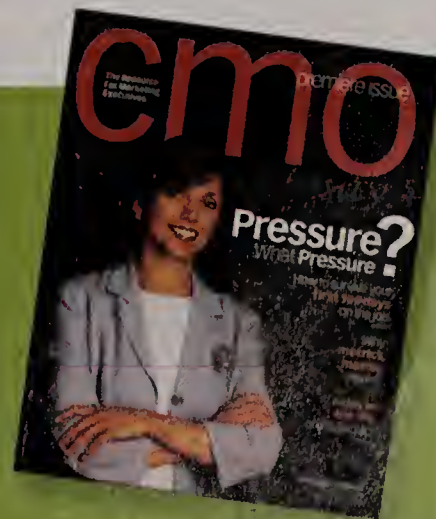
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## PROLOGUE

### Coming Clean with the Great Unwashed

BY LEW MCCREARY

So much unreliable opinion, so little time

**IN HIS BOOK**, *The Wisdom of Crowds*, James Surowiecki posits the undiscovered value of aggregated intelligence. His opening example is a prototypical experiment conducted by a cynical statistician named Francis Galton in the early years of the 20th century. At a 1906 English country fair Galton, who exalted the value of elites over a democratic rabble, stumbled on a contest in which fairgoers were invited to observe a living ox and estimate its final weight once it had been slaughtered and butchered.

Believing that the common man was common indeed, Galton sought to use this contest to prove his thesis that expert judgments are vastly superior to those of the riffraff. After the contest, Galton gathered all 787 guesses, added them together and arrived at a single aggregate guess: a mean of 1,197 pounds. Because the slaughtered and dressed ox weighed in at 1,198 pounds, the crowd turned out to have been remarkably accurate. Score one for the riffraff. Surowiecki quotes Galton's understated rumination on what he had learned: "The result seems more creditable to the trustworthiness of a democratic judgment than might have been expected."

So how do we go about learning from the rabble? In various ways and for centuries, businesses have tried to gather intelligence from and about their customers. The invention of newspapers appears to have been linked to a powerful European merchant and banking family named Fugger, whose representatives in far-flung global trading outposts generated "news" that filtered back in letters from the edges to the center of this empire.

Though not exactly real-time input, the collected letters of the Fugger enterprise's correspondents were a boon to business decision making. It was helpful to know that the Spanish Armada was stirring ominously, that famine afflicted France or that religious riots were brewing in Antwerp (examples of the Fugger newsletters are at [www.boisestate.edu/courses/reformation/sources/fz/index.shtml](http://www.boisestate.edu/courses/reformation/sources/fz/index.shtml)).

Business now gathers intelligence in many forms: polling and other sorts of surveys, focus groups, analyses of the state of the brand from the gleanings of clipping services, hidden-camera sessions where people use your product and comment on its good and bad points.

And now, of course, there is that emergent infernal machine known as the blog.

Galton, a skeptic about universal suffrage, would be mortified—if unsurprised—by the profusion of so much unreliable opinion. The once solid barrier to entry into the punditocracy was the prohibitive cost of the relevant tools. Now though, who *can't* be a pundit? There is a nauseating richness to what is reverently called "the conversation." Some have dubbed it *Blogistan*. Even on our own staff there are those I would label "blognostics," who, Galton-like, scorn the glut of blather as a new form of vanity masquerading as insight. What exists now as a form of rebellion against editors—those repressive gatekeepers who limit the flow of information to that which they alone decide is valuable—cries out for competent distillation, analysis and yes, editing.

The editor in chief of this magazine, Rob O'Regan, tells me he dives into a website

called Technorati.com to find out what you all are saying about CMO. Says Rob, "I look up after what feels like a few minutes and see that an hour and a half has gone by. And what have I actually accomplished?"

You can go down these wondrous rabbit holes created by Technorati and others, and get lost in a kind of tranceful fascination amid layer on layer of commentary. It takes discipline and time to learn how best to use these tools. Rob's caution lies in the insight that after a while, blur happens—which is not quite the same thing as ever-deepening knowledge—and you have to recognize the point of diminishing returns.

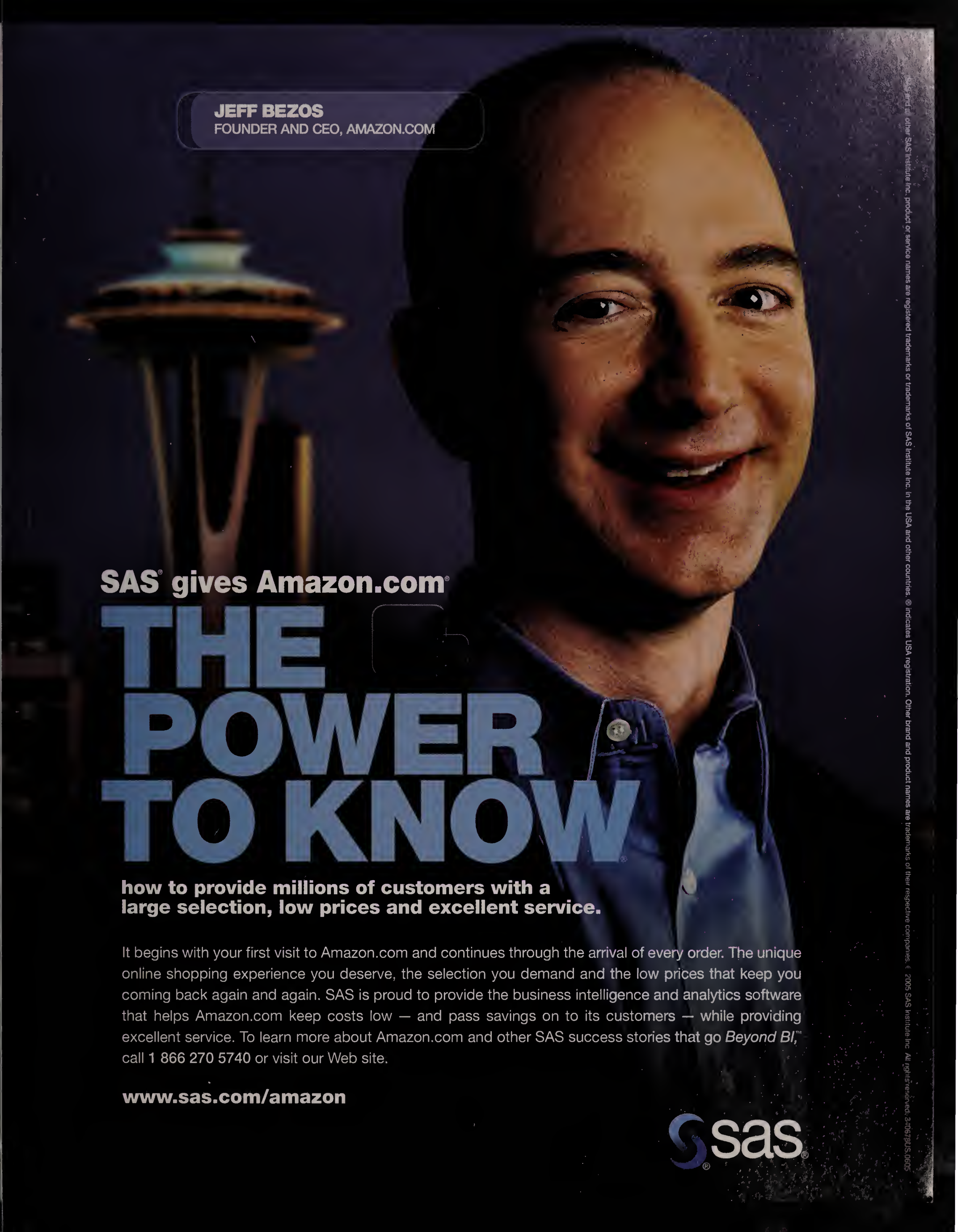
As with all those yokels guessing the weight of a butchered ox, the brilliance of the masses only becomes apparent or useful in its aggregated form. Galton had to total and average 787 answers before he could understand that the crowd was right on the money.

Now, to help manage the assimilation of the increasingly cacophonous blogosphere, we see businesses emerging that go down the rabbit hole on your behalf and produce useful analysis based on what they learn. Umbria Communications, to name one, says its mission is to use "natural language processing and machine learning technologies [to dissect] the who, what and why of online opinion to provide deep insight into the buzz about you, your products and your competition."

In other words, the modern equivalent of 1,197 pounds of wisdom. ●

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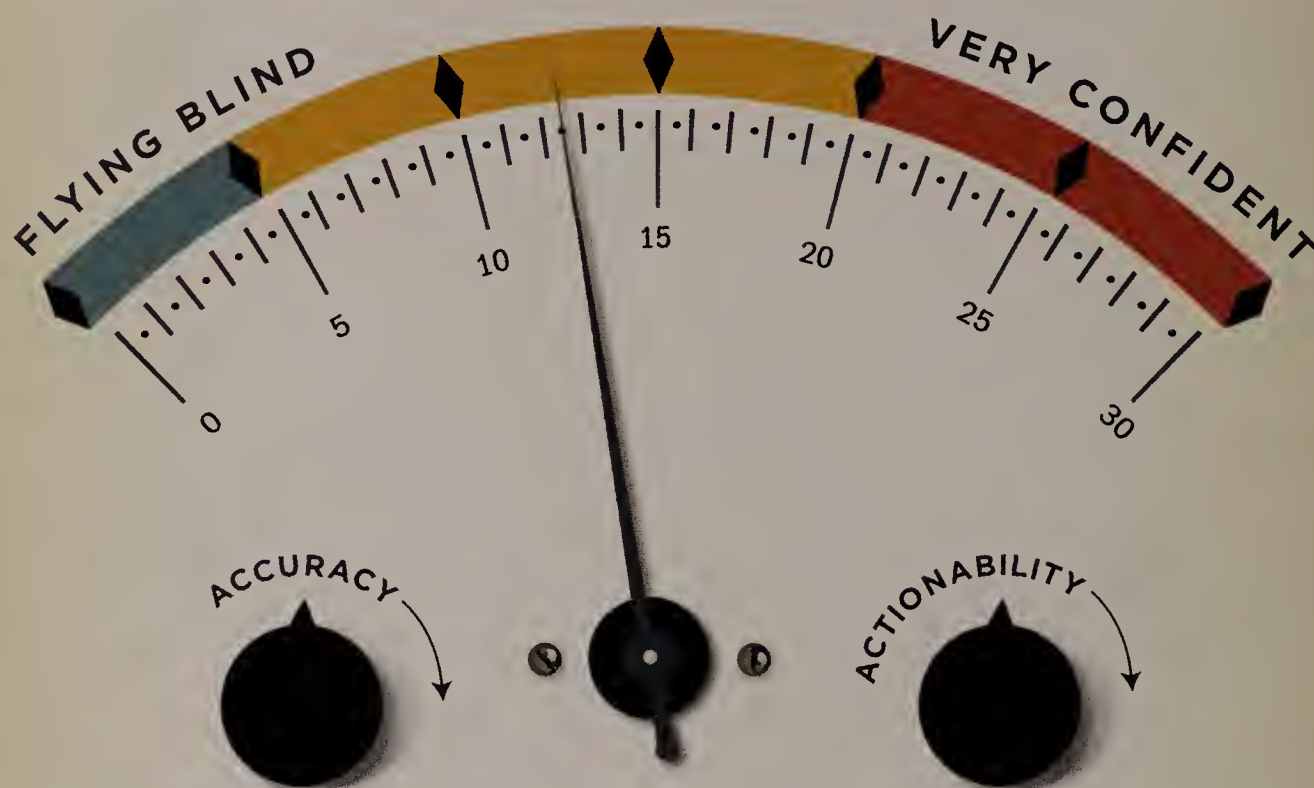
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# GUT CHECK

## What's your marketing confidence level?

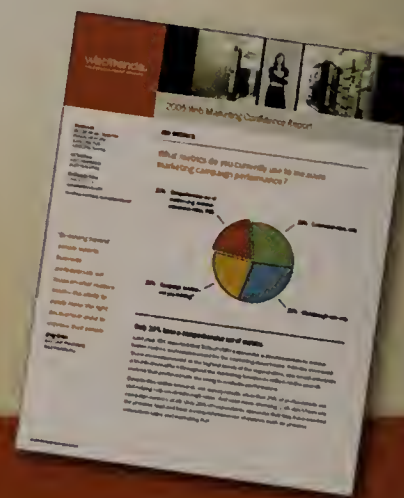


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